JPMorgan UK Smaller Companies Investment Trust plc

Annual Report & Financial Statements
for the year ended 31st July 2022

J.P.Morgan
ASSET MANAGEMENT

Key Features

Your Company

Objective
Capital growth from UK listed smaller companies.

Investment Policies
- To provide capital appreciation for shareholders from a diversified portfolio of UK listed small companies, emphasising capital rather than income growth.
- Liquidity and borrowings are managed with the aim of increasing returns to shareholders.
- Further details on investment policy are contained in the Strategic Report on page 22.

Gearing
A flexible low cost £50 million borrowing facility is in place and available for the investment managers to utilise within guidelines set by the Board. There is an option to increase the facility to £60 million under an accordion arrangement. As at 31st July 2022, £25 million was drawn down on the facility with the gearing level being 5.8% at that date.

Company Name and Ticker
The Company changed its name from JPMorgan Smaller Companies Trust plc to JPMorgan UK Smaller Companies Investment Trust plc on 21st September 2021. The Company's London Stock Exchange stock ticker symbol (JMI) remains unchanged.

Benchmark
The Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

Capital Structure
- UK Domiciled.
- Premium listing on the London Stock Exchange.
- As at 31st July 2022, the Company's share capital comprised 79,611,410 ordinary shares of 5p each, including 1,559,741 shares held in Treasury.

Continuation Vote
In accordance with the Company's Articles of Association, the Directors are required to propose an ordinary resolution that the Company shall continue in existence at the AGM in 2023 and in every third year thereafter.

Management Company and Company Secretary
The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

Environment, Social and Governance ('ESG') Considerations
ESG considerations are fully integrated into the stock selection process. JPMAM research teams compile proprietary ESG analyses on companies as well as using external vendor research to rank them. Following in-depth strategic and financial analysis, these ESG rankings and factors are also taken into consideration as part of the investment case. In addition, the Manager, together with stewardship specialists, engages with investee companies on specific ESG issues. JPMAM is a United Nations Principles of Responsible Investment ('UN PRI') signatory and is rated A+. JPMAM endeavours to vote at all of the meetings called by companies in which your portfolio invests. An ESG report is on pages 13 to 15.

Financial Conduct Authority ('FCA') regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'
The Company currently conducts its affairs so that the shares issued by JPMorgan UK Smaller Companies Investment Trust plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company's ordinary shares are not classified as 'complex instruments' under the FCA's revised appropriateness criteria adopted in the implementation of MiFID II.

Association of Investment Companies ('AIC')
The Company is a member of the AIC.

Website
The Company's website, which can be found at www.jpmuksmallercompanies.co.uk, includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

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Financial Highlights

Total returns (including dividends reinvested) to 31st July

	2022	2021	3 years Cumulative	5 years Cumulative
Return to shareholders[1, A]	–26.1%	+79.4%	+37.4%	+75.1%
Return on net assets[2, A]	–23.8%	+68.1%	+32.9%	+50.8%
Benchmark return[3]	–16.0%	+50.3%	+15.3%	+12.6%
Net asset return performance compared to benchmark return[3]	–7.8%	+17.8%	+17.6%	+38.2%
Dividend per share	6.9p	5.7p		

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[3] Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for 3 and 5 year cumulative returns are a composite of the two indices.

[A] Alternative Performance Measure.

A glossary of terms and APMs is provided on pages 83 and 84.

Financial Highlights

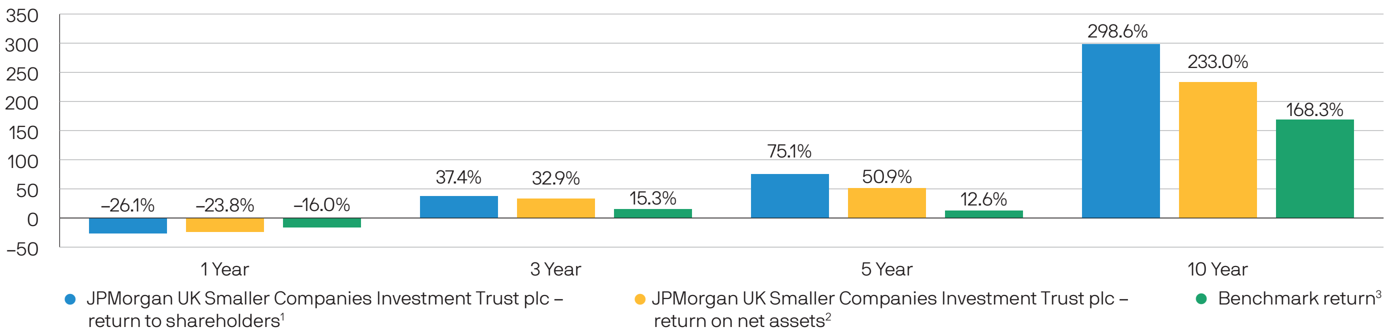
Summary of results

	2022	2021	% change
Total returns for the year ended 31st July			
Return to shareholders[1,A]	–26.1%	+79.4%	
Return on net assets[2,A]	–23.8%	+68.1%	
Benchmark return[3]	–16.0%	+50.3%	
Net asset value and share price at 31st July			
Shareholders' funds (£'000)	260,447	346,291	–24.8
Net asset value per ordinary share[A]	333.7p	443.7p	–24.8
Ordinary share price	297.0p	408.0p	–27.2
Shares in issue, excluding shares held in Treasury	78,051,669	78,051,669	
Ordinary share price premium/(discount) to net asset value per ordinary share[A]			
At 31st July	(11.0)%	(8.0)%	
Range during the year	(17.8)% to 0.8%	(16.5)% to 4.5%	
Average during the year	(10.7)%	(6.2)%	
Revenue for the year ended 31st July			
Net revenue available for shareholders (£'000)	6,551	3,418	+91.7
Revenue return per share	8.39p	4.38p	+91.6
Dividend per share	6.9p	5.7p	+21.1
Gearing as at 31st July[A]	**5.8%**	**8.9%**	
Ongoing Charges at 31st July[A]	**0.99%**	**0.91%**	

[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies).
[A] Alternative Performance Measure.

A glossary of terms and APMs is provided on pages 83 and 84.

Cumulative performance (total returns) for periods ended 31st July 2022



[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies).
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Chairman's Statement

Andrew Impey
Chairman

Investment Performance

After an exceptionally strong prior year, performance over the financial year to 31st July 2022 was disappointing. Over the period, your Company's total return on net assets (with net dividends reinvested) was –23.8% as compared to the Numis Smaller Companies plus AIM Index (excluding investment companies) which returned –16.0%. In addition, and in contrast to the previous year, the Company's share price discount to NAV widened from 8.0% on 31st July 2021 to 11.0% on 31st July 2022. Whilst your Company's peer group also experienced widening discounts, this nevertheless amplified the negative share price total return to shareholders which was –26.1%.

Having skillfully navigated the challenges of COVID, your managers entered 2022 with some optimism only to have the financial outlook turned on its head by Putin's invasion of Ukraine. Amongst other factors, the resultant effect on energy and commodity prices rapidly forced many central banks to increase interest rates significantly, in sharp contrast to the economic stimulus previously provided by governments. This not only piled pressure on consumers but also caused long term growth focused investment strategies, such as your Company's, to underperform dramatically. Whilst your managers have not and will not change their investment approach, the macro economic backdrop necessitated significant changes to the portfolio. In their report, the managers provide further detail on portfolio performance and attribution, together with a commentary on markets and portfolio activity.

Since the year-end, the discount has widened to 16.6% as at 12th October 2022. The return on net assets was –15.9% compared to a decrease in the benchmark of –13.2% and the return to shareholders was –21.2%.

Revenue and Dividends

Shareholders will remember that the dividend was not fully covered by revenue in the previous year. However, your Directors felt able to pay an increased dividend (supplemented by revenue reserves) when taking into account your managers' robust revenue projections. These projections have proved to be correct with net revenue increasing by 91.7% to £6.6 million in the financial year to 31st July 2022.

Consequently, your Directors are recommending a final dividend of 6.9p (2021: 5.7p) per share, an increase of 21.1%. If approved, the dividend will be paid on 19th December 2022 to shareholders on the register at close of business on 11th November 2022.

Gearing

The Board believes that a moderate level of gearing is an efficient way to enhance long-term shareholder returns, albeit at the cost of a small increase in short-term volatility. The Board takes into consideration the cost of borrowing when arranging facilities available to the Manager. The level of gearing is regularly discussed with the Manager and is adjusted by them, to reflect short-term considerations, within parameters set by the Board.

In order that the Managers could retain the flexibility to maintain gearing up to the maximum permitted level, on 1st October 2021 the borrowing facility with Scotiabank was increased from £40 million (with an option to increase the commitment by £10 million) to £50 million for a period of 24 months. The current facility will expire on 1st October 2023. There is a further option to increase borrowings to £60 million subject to certain conditions.

At the year-end, £25 million (2021: £35 million) was drawn on the loan facility with the gearing level of 5.8% (2021: 8.9%) of net assets. As at 12th October 2022, gearing was 7.3%.

Change to Investment Guideline

In July 2022, the Board announced its decision to amend the current investment restriction that the Company would not normally invest more than 50% of its gross assets in AIM stocks. With more small cap companies choosing to list on AIM and fewer moving from AIM to the Main Market of the London Stock Exchange, the Board agreed with its Investment Managers to increase the percentage of assets which the Company can hold in AIM stocks. In addition, reflecting the composition of the Benchmark, it was agreed that a minimum holding of AIM stocks relative to the Benchmark be introduced. The amended investment guideline now allows the Company to invest in AIM stocks up to a maximum and minimum exposure limit of +/–20% relative to the Benchmark.

Chairman's Statement

Share Repurchases and Issuance

At last year's Annual General Meeting ('AGM'), shareholders granted the Directors authority to allot new shares and to repurchase the Company's shares for cancellation or to be held in Treasury for possible re-sale. During the financial year the Company did not repurchase or allot any shares. There are currently 79,611,410 shares in issue, including 1,559,741 shares which are held in treasury and available for reissuance. Treasury shares will only be sold at a premium to net asset value thus enhancing shareholder value.

As in previous years, the Board's objective is to use the repurchase and allotment authorities to manage imbalances between the supply and demand of the Company's shares, with the intention of reducing the volatility of the discount or premium, in normal market conditions. To date the Board believes this mechanism has been helpful and therefore proposes and recommends that powers to repurchase up to 14.99% of the Company's shares (less shares held in Treasury) and the allotment of new shares or sale of shares out of Treasury up to approximately 10% as at the date of the AGM be renewed.

Board of Directors and Succession Planning

During the year, the Board, through its Nomination Committee, employed an independent board advisory consultant to facilitate a comprehensive evaluation of the Board, its committees, the individual Directors and the Chairman. Their report confirmed the efficacy of the Board.

Frances Davies will retire from the Board at the AGM in December 2022. She joined the Board in March 2013 and has made a significant contribution to the performance of the Company. On behalf of the Board, I would like to thank Frances for her contribution to the Company over the years. As you are aware, Frances is also Chairman of the Remuneration Committee and Senior Independent Director and following her retirement Alice Ryder will take over these roles.

As part of succession planning, the Board appointed Katrina Hart in June 2022. Katrina has longstanding financial markets expertise and extensive Board experience. She brings a wealth of experience to the Board, gained from her roles in corporate finance and equity research and, subsequently, her involvement as a Non-Executive Director of both investment trusts and asset management companies. The Board believes Katrina will be a valuable addition to the Board and therefore recommend that shareholders vote in favour of her appointment at the forthcoming AGM.

In accordance with good corporate governance practice, all the other Directors will stand for reappointment at the forthcoming AGM.

Environment, Social and Governance (ESG) considerations

The Board shares the Investment Managers' view of the importance of ESG factors when making investments for the long term and of the necessity of continued engagement with investee companies throughout the duration of the investment. The Investment Managers' report describes the developments in the ESG process that have taken place during the year together with examples of how these are implemented in practice. Further information on the Manager's ESG process and engagement is set out in the ESG Report section within the Annual Report.

Annual General Meeting

We are delighted that this year we will once again be able to invite shareholders to join us in person for the Company's thirty-second Annual General Meeting ('AGM') to be held at 60 Victoria Embankment, London EC4Y 0JP on 5th December 2022 at 3.00 p.m. The Board hopes to welcome as many shareholders as possible.

As with previous years, you will have the opportunity to hear from the Investment Managers and their presentation will be followed by a question and answer session. Shareholders wishing to follow the AGM proceedings but choosing not to attend will be able to view them live and ask questions through conferencing software. Details on how to register together with access details can be found on the Company's website: www.jpmuksmallercompanies.co.uk, or by contacting the Company Secretary at invtrusts.cosec@jpmorgan.com.

In accordance with normal practice, all voting on the resolutions will be conducted on a poll. Due to technological reasons, shareholders viewing the meeting via conferencing software will not be able to vote on the poll and we therefore encourage all shareholders, and particularly those who cannot attend physically, to submit their proxy votes in advance of the meeting, so that they are registered and recorded at the AGM. Proxy votes can be lodged in advance of the AGM either by post or electronically: detailed instructions are included in the Notes to the Notice of Annual General Meeting on pages 80 to 82. In addition, shareholders are encouraged to send any questions ahead of the AGM to the Board via the Company Secretary at the email address above. We will endeavour to answer relevant questions at the meeting or via the website depending on arrangements in place at the time.

If there are any changes to the above AGM arrangements, the Company will update shareholders through the Company's website and, as appropriate, through an announcement on the London Stock Exchange.

Outlook

As we anticipated in the interim outlook, the invasion of Ukraine has had a detrimental effect on ordinary citizens across the globe and particularly those that are less well off. However, we did not anticipate the severity of the cost of living crisis and the level of government support that would be necessitated. Governments and policy makers are having to grapple with an unusually uncertain and complex set of economic and geopolitical situations which are requiring a significant re-evaluation of the globalisation of previous decades and the source of supply of essential commodities and goods. Many of these issues will take a number of years to resolve but in the short-term the very real cost of living crisis driven by inflation and interest rate increases not previously experienced by many needs to be addressed. This is particularly so in the UK where immediate and significant intervention is required to alleviate the prospect of 'sticky inflation' driven by a wage/price spiral and the damage caused by the expectation of further inflation.

Following the recent change of Prime Minister, her new Chancellor's mini budget has caused turmoil in the UK markets. Whilst the desire to make a dramatic and immediate impact on the UK economy and aid those suffering from the rising cost of living is understandable, the manner in which it has been done is not. The poor communication, lack of obvious consultation with the Bank of England and absence of independent guidance from the OBR has led to a significant loss of investor confidence reflected in crashing bond prices, equities and the value of sterling. The public criticism from the International Monetary Fund is almost unprecedented and does not aid government credibility. The government's cost of borrowing, as reflected in sharply rising gilt yields (falling prices), has dramatically increased as investors demand a premium for financing UK plc. The Bank of England has been set at odds with the government as it attempts to counter the potential inflationary effects of the current government policy, weakened sterling and high gilt yields. The Bank has already intervened in bond markets, attempting to lower yields by buying gilts, and will almost certainly have to increase the base rate further than previously anticipated. This will cause a significant increase in mortgage payments and put pressure on property valuations all to the detriment of the embattled consumer. In short, the outlook is as uncertain as it has been in a long time and we and your Managers anticipate continued, significant volatility in markets.

The share prices of UK domestic and smaller companies have been hit hard in actual and relative terms in anticipation of uncertainty and the challenging outlook for the UK. As previously mentioned, this has required a significant re-appraisal of the construction of your Company's portfolio as your managers adapt to the rapidly changing environment that we find ourselves in. We are fortunate to have very experienced Managers who are working hard to preserve and grow shareholders' assets and their success in doing so is evident in their impressive long term record of outperformance.

Andrew Impey
Chairman

14th October 2022

Investment Managers' Report

Georgina Brittain
Investment Manager

Katen Patel
Investment Manager

Performance and Market Background

Your Company's financial year to July 2022 was dominated in the first half by COVID-19. As the vaccines took effect, the country started to re-open, only for the Omicron variant to re-awaken fears towards the end of 2021. As expected, in December 2021 the Bank of England (BoE) raised rates for the first time since the COVID-induced reduction to 0.1 %. As we entered 2022, the picture looked more positive, despite concerns over the impact of rising inflation and rising interest rates from their historic low. Forecasts at that time were for a continued strong rebound in GDP growth of approximately 4.5% in 2022 as the economy continued to recover, and inflation was expected to peak in April at around 6%. Events clearly intervened, with the Russian invasion of Ukraine upending these forecasts as the increasing cost of staples and energy drove inflation expectations significantly higher. As bills rose and wages failed to keep pace, the cost of living pressures escalated for many households. In addition, on-going logistic bottlenecks and constrained labour supply added to inflationary pressures for corporates. The BoE continued to raise interest rates in an attempt to combat inflation, and they ended our financial year at 1.25%.

Against this very testing backdrop, the Numis Smaller Companies plus AIM (ex Investment Companies) Index declined by 16% in the year. Disappointingly, your Company produced a decline in net assets of 23.8%. The share price total return was –26.1%, as the discount of the share price relative to net assets widened, due to a sell-off in the more domestically focused smaller companies arena in the light of the economic outlook.

Performance attribution

	12 months to 31st July 2022 %	%	12 months to 31st July 2021 %	%	12 months to 31st July 2020 %	%
Contributions to total returns						
Benchmark return		**–16.0**		**50.3**		**–8.7**
Stock selection	0.6		1.1		11.8	
Sector Allocation	–5.8		12.3		3.1	
Gearing/net cash	–1.6		5.6		–1.4	
Investment Manager's contribution		**–6.8**		**19.0**		**13.5**
Benchmark differentials	—		–0.3		–0.1	
Portfolio total return		**–22.8**		**69.0**		**4.7**
Management fees/other expenses	–1.0		–0.9		–1.0	
Repurchase of shares for cancellation	—		—		0.1	
Other effects		**–1.0**		**–0.9**		**–0.9**
Return on net assets[A]		**–23.8**		**68.1**		**3.8**
Impact of change in discount		**–2.3**		**11.3**		**–0.1**
Return to shareholders[A]		**–26.1**		**79.4**		**3.7**

Source: JPMAM/Morningstar.
All figures are on a total return basis.
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.
[A] Alternative Performance Measure ('APM')

A glossary of terms and APMs is provided on pages 83 and 84.

Portfolio

A number of our largest positions continued to perform strongly, among them **OSB** (formerly known as OneSavings Bank), **Alpha FX**, **Ergomed** and **Serica**. **OSB** specialises in lending to professional landlords in the UK market, benefitting from rate increases and growing strongly through market share gains and refinancing activity. It has also initiated a buyback of shares as it has significant excess capital on its balance sheet. The high growth company **Alpha FX**, which provides currency solutions for corporates, has again outperformed market expectations and is continuing to expand its operations outside the UK. **Ergomed**, a provider of services to the pharmaceutical industry, continues to demonstrate its resilient business model and its expansion into the US is bearing fruit as pharmaceuticals continue to outsource specialist activities, while **Serica**, a North Sea gas producer, is a beneficiary of high gas prices and was also subject to a takeover approach.

However, these successes were not enough to outweigh the detractors in the portfolio. These included **Halfords**, **Reach**, **Victorian Plumbing**, **Luceco** and **Joules**, all of which were exited in the year as the underlying performance of the businesses declined. The three retailers, **Halfords** (car parts and bicycles), **Victorian Plumbing** (bathroom related products) and **Joules** (clothing), suffered from poor sales and inventory issues. **Luceco**, a producer of LED bulbs and electrical accessories, faced difficult end markets as a supplier into the DIY chains. The national and regional news publisher **Reach** disappointed as its progress in expanding into digital media unexpectedly slowed, and in its traditional newspapers it suffered from rising newsprint costs.

Additionally, the share prices of a few of our largest positions such as **Future**, **Dunelm** and **Games Workshop** declined precipitously as the market de-rated these consumer exposed names, despite a notable lack of earnings downgrades from company guidance. With hindsight, we were slow to react, as our analysis of the specific outcome for these individual companies was very much counter to the market perception. While we did reduce the sizing in these positions, the magnitude of the market de-ratings has led us to maintain holdings in the above names, given their current valuations and long-term prospects.

That said, we have of course made a number of significant changes to the portfolio in 2022, given the dramatic change in outlook over the year for inflation, consumer confidence and interest rate expectations. Among the many changes to the portfolio, we have increased our energy exposure with new positions in **Ashtead Technology** (a recent IPO which provides subsea rental equipment to the global offshore energy sector), **Hunting** (oil services) and **Energean** (gas producer) and added to our holding in **Serica** (oil and gas producer). Other new additions include **FRP Advisory Group** (insolvency/debt advisory company) and **H&T** (pawn-broker), which should be well-positioned in these difficult economic times, and more defensive names such as **Wilmington** (professional services) and **Telecom Plus** (a utility provider). On the other side, we have significantly reduced our consumer exposure as the outlook has darkened. Among the exits from the portfolio are **Saga**, **Marston's**, **Moonpig**, **Curry's**, **Rank** and **Restaurant Group**.

Overall as can be seen from a number of our sales in the year, we have significantly reduced our exposure to the UK consumer. However we also believe that a number of consumer-facing companies will weather the economic downturn well and continue to take market share; we strongly believe this is not reflected in their current share prices. We continue to remain overweight to the UK (and the USA), in underlying revenue terms, relative to our benchmark. We also reduced our gearing and paid down £10 million of our debt during the second half of the year as the economic backdrop deteriorated. In navigating these uncharted waters we have endeavoured to position the portfolio to have a balance between structural growth companies and cheap 'recovery' names; the portfolio compares favourably with the benchmark on all our key metrics, which will hopefully serve us well when market sentiment shifts.

Outlook

As we write this report, we have a new Prime Minister. There are too many unanswered questions to enumerate at this time but it seems clear that her absolute priority is to help UK citizens and UK companies to deal with the energy price crisis, which would otherwise threaten to overwhelm many. Among the many things we do not know, key questions include: How long will energy costs remain elevated? How much will the proposed energy cap cost the UK? While it will lower inflation in the short term, will it prove of itself to be inflationary? When will the Russian war with Ukraine end? Will there be gas shortages in Europe and the UK this winter? How high will interest rates need to go? The answers to these questions will have a direct impact on the looming recession in the UK – small and short, or long and severe, as suggested by the recent Bank of England forecast.

Investment Managers' Report

Our present view is that there is likely to be a recession in the UK in 2023. Currently, key metrics in the UK such as employment levels, PMIs (purchasing manager indices), the housing market and retail sales are all holding up to a greater or lesser extent – and indeed that is the message we are receiving from talking to our companies. However, both we and they are obviously aware of the many risks on the horizon. These include significantly higher interest rates, higher mortgage rates impacting the consumer and house prices, inflation remaining elevated for longer and the impact of sterling's devaluation. But the key metric we are focusing on is inflation, and in particular a fall in core inflation. If this eventually starts to emerge, then we believe stock markets will start to rally. If history provides a reliable guide, markets will rally prior to the GDP data turning more positive.

The last year has been a painful one for all investors. However, we believe that the structural drivers that have driven the superior performance in the small cap arena over longer time frames have not changed. Over the last many years we have seen periods of extreme volatility and drawdowns, such as we experienced during the Brexit referendum and the onset of COVID, and now once again in 2022, when the domestic UK market has fallen dramatically out of favour. These have proven historically to be very advantageous buying opportunities in this area of the market, and we do not believe this will prove to be different in this economically challenging time.

Georgina Brittain
Katen Patel
Investment Managers

14th October 2022

Environmental, Social and Governance Report

Introduction

ESG stands for Environmental, Social and Governance. Awareness of these issues has increased significantly in recent years within the asset management industry, including the investment managers responsible for the Company's portfolio, among the Board members of your Company, among shareholders and potential shareholders in the Company and, indeed in society at large.

The basics: what is ESG?

E is for Environmental. This component considers a company's impact on the world we live in, relating to the quality and functioning of the natural environment and natural systems.

S is for Social. Social factors address the way that companies act within society; this includes the way that employee interests are managed, and the broader impact a company has on society.

G is for Governance.This component relates to how companies are managed. It considers the measures that protect shareholder interests as well as the way any company meets regulatory and other external obligations.

Why do we integrate ESG into our investment process?

As an asset manager, we are guided by our duty to act in the best interests of our clients. That commitment means we consider the impact of decisions we make on behalf of our clients on their portfolios. We believe consideration of financially material environmental, social and governance (ESG) factors can be an important part of the investment process.

At J.P. Morgan Asset Management, we define ESG integration as the systematic inclusion of financially material ESG factors (including sustainability risks) as additional inputs into investment analysis and investment decision-making, where possible and appropriate. ESG factors encompass a wide range of issues including (but not limited to) climate risk, natural resource use, human capital management, diversity, business conduct, governance practices, shareholder rights and executive compensation, as they can impact negatively or positively the value of an investment.

J.P. Morgan Asset Management considers financially material ESG factors when assessing an investee company's performance. ESG integration is used to support mitigating risk and can unlock opportunities in an investment portfolio. By considering financially material ESG factors, we believe that ESG integration can inform better long-term investment decision-making and can help build stronger portfolios for our clients.

ESG Integration within the Company's portfolio

While we do not explicitly exclude individual stocks on ESG criteria, ESG factors influence our level of conviction and thus impact a stock's position size within the portfolio.

Engagement

Active ownership is a key component of both our standard investment processes and our commitment to ESG integration. We use it not only to understand how companies and issuers consider issues related to ESG but also to try to influence their behaviour and encourage best practices, for the purpose of enhancing returns for our clients. We define engagement as active interaction with investee companies or issuers, exercising our voice as a long-term investor through industry participation and proxy voting. Active ownership in the context of ESG integration allows us to manage ESG risks and to systematically incorporate insights gained from engagement into our investment decisions. For further details on our engagement processes, please see our Annual Investment Stewardship Report (https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf).

Examples of our recent activity with regard to stewardship and engagement with stocks in the Company's portfolio at the end of the year are provided below:

We met with the chairman and other board members of **Clarkson**, a global ship-broking firm, to discuss remuneration arrangements at the company following dissent from shareholders. The chairman explained that remuneration arrangements are tied to the service contract of the CEO, which was agreed in 2006 and amended in 2008 and it would be tremendously difficult to break contract. It was noted that they are cognisant of the decisions taken before many of the current board members joined and the company has committed to reverting to a more normal remuneration structure once the company appoints a new CEO or the CEO leaves. We questioned whether the remuneration committee had set performance gateway hurdles at a sufficiently robust level and whether there was room to build in additional stretch into targets. We also questioned to what extent the company was rewarding true outperformance of the business by the executive team and whether the favourable market conditions had helped the company deliver strong performance. The company explained that it rewarded executive

Environmental, Social and Governance Report

management teams which delivered strong performance and that it had sought to be consistent in this approach. As a result, there had been a number of years where rewards did not reflect the strong work undertaken by the management team due to market conditions.

We met with **Brewin Dolphin** to discuss their net zero targets and to share what we believe good practice looks like. They see the benefits of setting a Net Zero target, being their ability to attract and retain employees and the next generation of clients without having significant cost implications and continuing to build on existing programmes of efficiency. JPMAM communicated its support to Brewin in setting this ambition and explained that there would be a need to follow up any target setting announcement with action plans, in particular it would be wise to be able to point to areas that the company will be looking to tackle in the shorter term in order to meet its goals. It is also important that sponsorship and responsibility is ensured at Board level to guarantee that Net Zero is a success.

Proxy voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We aim to vote at all meetings called by the companies in which we are invested, unless there are any market restrictions or conflicts of interests.

We believe that corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios and, where entrusted with this responsibility, all securities were voted in a diligent and prudent manner within the year ended 31st July 2022.

JPMorgan UK Smaller Companies Investment Trust plc: Voting at shareholder meetings over the year to 31st July 2022

	For	Against	Abstain	Total Items
Directors Related	545	11	0	556
Routine Business	351	3	0	354
Capitalisation	309	0	0	309
Non-salary Compensation	98	9	0	107
Takeover Related	51	0	0	51
Reorganisation and Mergers	18	0	0	18
TOTAL	**1,372**	**23**	**0**	**1,395**

Examples of our proxy voting activity over the last year are provided below.

SThree is a UK listed staffing services provider for technology, engineering, life sciences, banking and finance, and other sectors. Following the announcement of the departure of the CFO, the company artificially moved his termination date by three months, giving rise to over-payment of both fixed pay and long-term incentives. This move also impacted vesting of awards under previous long term incentive plans. This artificial movement of the termination date was not approved by the compensation committee, who expressed disappointment at the handling of the situation. We consider these actions to fall short of expected good practice around severance arrangements. As a result, we voted against the approval of the remuneration report at the AGM. However, 54% voted for the resolution and the resolution was passed.

Rank Group Plc is a UK listed gambling company. At this year's annual meeting, the company sought to augment the normal LTIP awards in 2022 with an additional one-off incentive with a maximum award opportunity of 100 percent of base salary for the two executive directors. The company cited retention concerns around the executive directors, owing to low vesting of previous awards, and the need to ensure they are sufficiently incentivised to lead the business through the post-pandemic recovery period. We did not feel the company had provided sufficient rationale or disclosure around the additional award including around performance metrics and failed to see how the current arrangements do not already work to incentivise executive directors. We had previously raised concerns around the company's remuneration arrangements at annual meetings, including through our voting. At this year's meeting we voted against approving the remuneration policy, the approval of the one-off incentive scheme, and we escalated our concerns by withholding support on the re-election of the chairman of the remuneration committee as we deemed him ultimately responsible for continued misalignment with best practice. However, approximately 88% voted for these resolutions and the resolutions were passed.

The Future

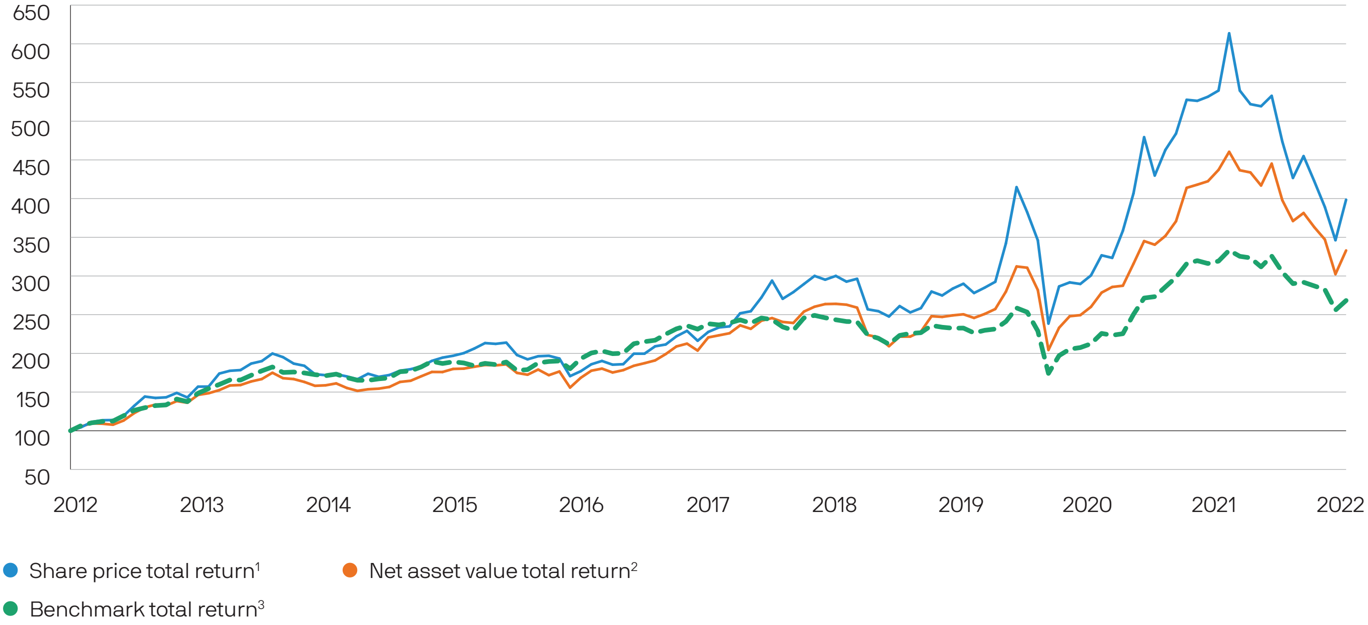
In investing your Company's assets we have always looked for companies with the ability to create value in a sustainable way. That scrutiny remains firmly embedded in our process and we know that the Directors of the Company, shareholders and potential investors view attention to ESG factors as important in their assessment of us as Investment Managers. The course being taken by regulators suggests that the importance of ESG will only increase in years to come. The research we do and the approach we take in investing the Company's assets will continue to reflect that and to evolve as necessary.

J.P. Morgan Asset Management

Ten Year Record

Ten Year Performance

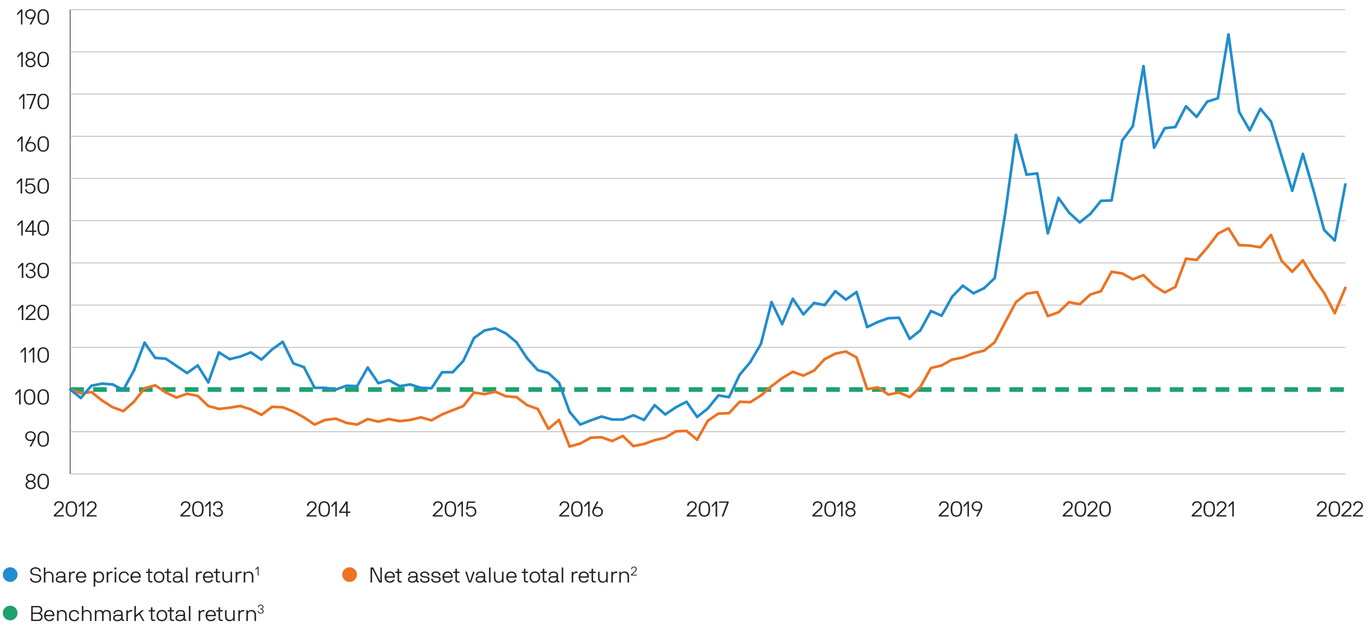
Figures have been rebased to 100 at 31st July 2012



[1] Source: Morningstar
[2] Source: Morningstar/J.P.Morgan, cum income net asset value per share.
[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for the year to 31st July 2019 are a composite of the two indices.

Ten Year Performance relative to Benchmark

Figures have been rebased to 100 at 31st July 2012



[1] Source: Morningstar
[2] Source: Morningstar/J.P.Morgan, cum income net asset value per share.
[3] Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for the year to 31st July 2019 are a composite of the two indices.

Ten Year Record

At 31st July	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Shareholders' funds (£m)	107,282	154,116	165,229	179,597	160,633	207,285	227,108	207,740	209,937	346,291	260,447
Undiluted net asset value per Ordinary share (p)[1]	117.4	169.2	181.6	207.8	189.8	242.4	285.0	264.4	269.0	443.7	333.7
Diluted net asset value per Ordinary share (p)[1,2,A]	117.4	169.2	181.6	203.6	188.6	242.4	285.0	264.4	269.0	443.7	333.7
Share price (p)[1]	89.6	138.2	149.4	168.9	150.0	188.4	243.0	229.0	232.0	408.0	297.0
Share price discount (%)[A]	23.7	18.3	17.8	17.0	20.5	22.3	14.7	13.4	13.8	8.0	11.0
Subscription share price (p)[3]	—	—	—	41.0	11.0	—	—	—	—	—	—
Gearing (%)[A]	7.5	8.4	9.3	9.3	5.7	8.1	9.1	8.7	8.6	8.9	5.8
Year ended 31st July											
Gross revenue attributable to shareholders (£'000)	2,594	2,937	3,151	3,606	4,284	5,183	6,244	6,447	3,980	4,575	8,151
Revenue return per share (p)[1]	1.80	2.08	2.00	2.44	3.66	4.85	6.14	6.33	3.80	4.38	8.39
Dividend per share (p)[1]	1.80	1.90	1.92	2.20	3.66	4.60	5.40	5.50	5.50	5.70	6.90
Ongoing Charges (%)[A]	1.21	1.15	1.13	1.19	1.17	1.12	1.03	1.11	1.01	0.91	0.99
Rebased to 100 at 31st July 2012											
Total return to shareholders[4,A]	100.0	157.0	171.8	196.9	176.9	227.7	300.1	290.0	300.7	539.6	398.6
Total return on net assets[5,A]	100.0	146.3	158.7	179.9	168.4	220.6	264.0	250.5	260.1	437.1	333.0
Benchmark total return[6]	100.0	148.5	171.1	189.1	193.1	238.3	243.4	232.7	212.4	319.2	268.3
Total returns for the year ended 31st July											
Return to shareholders (%)[4,A]	–15.0	+57.0	+9.4	+14.6	–10.1	+28.7	+31.8	–3.4	+3.7	+79.4	–26.1
Return on net assets (%)[5,A]	–7.5	+46.3	+8.5	+13.4	–6.4	+31.0	+19.7	–5.2	+3.8	+68.1	–23.8
Benchmark return (%)[6]	–6.2	+48.5	+15.2	+10.5	+2.1	+23.4	+2.1	–4.4	–8.7	+50.3	–16.0
Net asset return performance compared to benchmark return (pp)	–1.3	–2.2	–6.7	+2.9	–8.5	+7.6	+17.6	–0.8	+12.5	+17.8	–7.8

1 All comparative figures from 2012 to 2019 have been restated due to the sub-division of each existing ordinary share of 25p into five ordinary shares of 5p each on 30th November 2018.

2 Assumes that all outstanding Subscription shares were converted into Ordinary shares at the year end. As at 31st July 2022, there was no dilution effect due to the expiry of the Subscription shares, their rights having lapsed on 30th June 2017.

3 On 25th February 2015, the Company issued Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. These shares expired and their new rights lapsed on 30th June 2017.

4 Source: Morningstar.

5 Source: Morningstar/J.P. Morgan, cum income net asset value per share.

6 Source: Morningstar. The Company's benchmark is the Numis Smaller Companies plus AIM Index (excluding Investment Companies). Prior to 1st January 2019, the Company's benchmark was the FTSE Small Cap Index (excluding Investment Trusts). The benchmark index returns quoted above for 2019 are a composite of the two indices.

A Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 83 and 84.

Portfolio Information

Ten largest investments

As at 31st July

Company	Sector	2022 Valuation £'000	2022 %[1]	2021 Valuation £'000	2021 %
OSB[2]	Financials	11,320	4.1	6,534	1.7
Alpha FX[2]	Financials	11,131	4.0	8,965	2.4
Serica Energy[2]	Energy	9,355	3.4	2,815	0.7
Ergomed	Health Care	9,226	3.4	10,845	2.9
SDI	Industrials	8,590	3.1	10,143	2.7
Next Fifteen Communications[2]	Consumer Discretionary	8,346	3.0	4,510	1.2
Cerillion[2]	Technology	8,339	3.0	5,084	1.3
Premier Foods[2]	Consumer Staples	7,642	2.8	5,471	1.5
Watches of Switzerland	Consumer Discretionary	7,406	2.7	13,755	3.6
Future	Consumer Discretionary	6,398	2.3	16,033	4.3
Total		**87,753**	**31.8**		

[1] Based on total investments of £275.6m (2021: £377.1m).
[2] Not included in the ten largest equity investments at 31st July 2021.

At 31st July 2021, the value of the ten largest equity investments amounted to £116.2 million representing 30.8% of total investments.

The difference between the 2022 and 2021 valuation reflects purchases and sales during the year, as well as market movements.

Portfolio Information

Portfolio Analysis

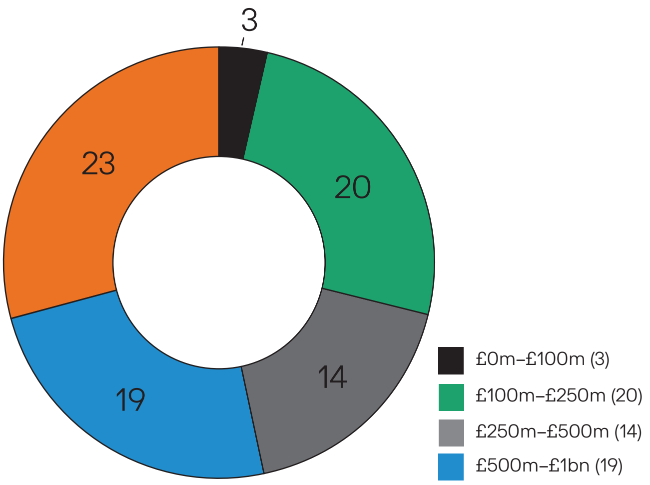
As at 31st July

Sector	2022 Portfolio %[1]	2022 Benchmark %	2021 Portfolio %[1]	2021 Benchmark %
Industrials	25.4	25.5	19.3	23.7
Consumer Discretionary	23.5	16.0	45.2	20.3
Financials	15.4	14.5	13.7	13.8
Technology	10.0	9.8	9.1	8.6
Energy	9.4	8.0	1.4	4.2
Health Care	5.7	5.6	3.6	7.7
Real Estate	3.3	5.3	2.6	6.7
Consumer Staples	2.8	4.5	2.1	4.4
Telecommunications	2.6	1.7	0.3	1.6
Basic Materials	1.9	6.9	2.2	6.7
Utilities	—	2.2	0.5	2.3
Total	**100**	**100**	**100**	**100**

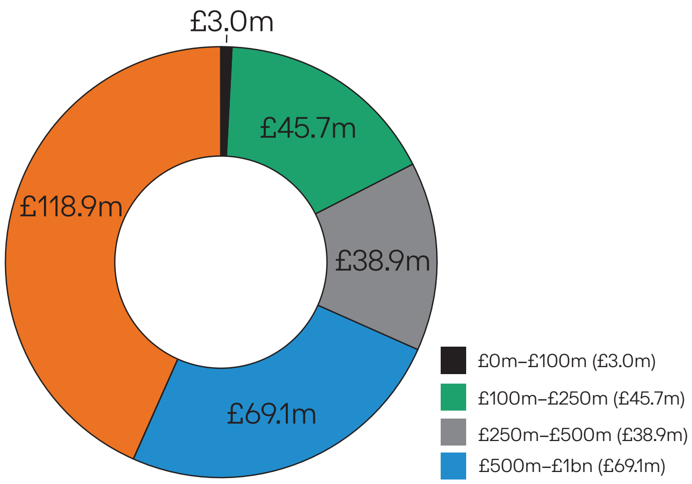
[1] Based on total investments of £275.6m (2021: £377.1m).

Holdings breakdown based on Market Capitalisation as at 31st July 2022

Number of Companies



Total Value of Companies (£m)



Portfolio Information

List of Investments

As at 31st July

Company	Valuation £'000
Industrials	
SDI[1]	8,590
Judges Scientific[1]	6,142
Wincanton	5,815
Morgan Sindall	5,265
Equals[1]	5,190
Oxford Instruments	4,970
Elixirr International[1]	3,350
Chemring	3,225
Clarkson	3,091
Keller	2,657
Morgan Advanced Materials	2,241
Somero Enterprises[1]	2,194
Macfarlane	2,088
Robert Walters	1,978
Brickability[1]	1,827
Fonix Mobile[1]	1,672
Volex[1]	1,557
FRP Advisory[1]	1,484
Solid State[1]	1,421
Norcros	1,413
Hargreaves Services[1]	1,367
Science[1]	1,307
Avingtrans[1]	1,080
	69,924
Consumer Discretionary	
Next Fifteen Communications[1]	8,346
Watches of Switzerland	7,406
Future	6,398
Vistry	4,973
Dunelm	4,802
Watkin Jones[1]	3,883
CVS[1]	3,266
Games Workshop	3,253
JET2[1]	2,750
National Express	2,637
4imprint	2,452
Team17[1]	2,365
Hollywood Bowl	2,189
Focusrite[1]	1,989
M&C Saatchi[1]	1,825
Tremor International[1]	1,612

Company	Valuation £'000
Consumer Discretionary continued	
Sanderson Design[1]	1,244
Inspecs[1]	983
Warpaint London[1]	982
Wilmington	712
Wickes	553
	64,620
Financials	
OSB	11,320
Alpha FX[1]	11,131
Brewin Dolphin	5,187
Bank of Georgia	3,605
Tatton Asset Management[1]	2,410
CMC Markets	2,390
Mortgage Advice Bureau Holdings[1]	2,045
Provident Financial	1,761
Polar Capital Holdings[1]	1,511
H&T[1]	1,158
	42,518
Technology	
Cerillion[1]	8,339
Computacenter	5,577
Bytes Technology	4,738
Learning Technologies[1]	3,163
Big Technologies	2,500
accesso Technology[1]	1,411
Tinybuild[1]	1,090
Quixant[1]	792
	27,610
Energy	
Serica Energy[1]	9,355
Energean	6,308
Jadestone Energy[1]	4,579
Ashtead Technology	4,239
Hunting	1,548
	26,029
Health Care	
Ergomed[1]	9,226
Indivior	5,457
Circassia[1]	1,149
	15,832

Portfolio Information

Company	Valuation £'000
Real Estate	
Urban Logistics REIT	2,592
Capital & Counties Properties	2,563
CLS	2,238
Palace Capital	1,784
	9,177
Consumer Staples	
Premier Foods	7,642
	7,642
Telecommunications	
Calnex Solutions[1]	4,009
Telecom Plus	3,143
	7,152
Basic Materials	
Hill & Smith	2,562
Central Asia Metals[1]	2,538
	5,100
Total Investments	**275,604**

[1] AIM listed, totalling 47.3% of total investments.

Company Purpose, Investment Objective, Policies and Guidelines

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment limits and restrictions, performance and key performance indicators, share capital, the Company's environmental, social and ethical policy, principal and emerging risks and how the Company seeks to manage those risks, and finally its long-term viability.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide capital appreciation for shareholders from a diversified portfolio of UK listed small companies, emphasising capital rather than income growth and aiming to outperform its benchmark index over the longer term. To achieve this, the Board is responsible for employing and overseeing an investment management company that has the appropriate investment expertise, resources and controls in place to meet the Company's investment objective. The Board ensures that the investment management company takes account of wider issues, including environmental, social and governance factors, in pursuing the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors who have a breadth of relevant experience and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers. All of the Directors hold shares in the Company, although this is not mandatory.

Structure and Objective of the Company

The Company's existing investment objective and investment policy are set out below and came into effect from 1st January 2019 following approval at the AGM in November 2018.

JPMorgan UK Smaller Companies Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. The Company's objective is to achieve capital growth from UK listed smaller companies by out-performance of the Company's benchmark index, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index and a rising share price over the longer term by taking carefully controlled risks.

In seeking to achieve this objective the Company employs JPMF to actively manage the Company's assets. The Board has determined an investment policy and related guidelines and limits as described below.

The Company is subject to legislation and regulations including UK company law, Financial Reporting Standards, the UKLA Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law and the Company's own Articles of Association. Since 31st December 2020, new autonomous UK regulations became effective and the UK no longer applies EU regulations. The potential impact of the UK's withdrawal from the EU is uncertain. However, those EU regulations that were relevant to the Company have been incorporated by UK regulations and therefore there has been no change in practice from last year.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010) for the year ended 31st July 2013 and future years. The Directors have no reason to believe that approval will not continue to be obtained. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 7 to 9, and in the Investment Managers' Report on pages 10 to 12.

Investment Policy

In order to achieve the investment objective, the Company invests in a diversified portfolio of small companies, emphasising capital rather than income growth.

Investment risks are managed by investing in a diversified portfolio of UK listed smaller companies. The Company seeks to manage its risk relative to its benchmark index by limiting the active portfolio exposure to stocks and sectors. Nevertheless, the portfolio will typically diverge materially from the benchmark.

The Company invests in smaller companies which tend to be more volatile than larger companies and the investment policy should therefore be regarded as carrying greater than average risk.

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company makes use of borrowings to increase returns.

In accordance with the Listing Rules of the Financial Conduct Authority ('FCA') the Company will not invest more than 15% of its gross assets in other UK listed closed-ended investment funds and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed closed-ended investment funds at the time of acquisition.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions.

- No investment in the portfolio will be greater than 10% of the Company's gross assets.
- The Company will not normally invest in unlisted securities.
- The Company will not normally invest in derivative instruments.
- The Company may invest in AIM stocks up to a maximum and minimum exposure limit of +/–20% relative to the

Company Purpose, Investment Objective, Policies and Guidelines

Benchmark (with effect from 14th July 2022). Prior to this, the restriction was that the Company would not normally invest greater than 50% of its gross assets in AIM stocks.

- The number of investments in the portfolio will normally range between 60 and 120.
- The Company's gearing policy is to operate within a range of –10% to +15% invested in normal markets.
- The maximum exposure to an investment will normally range between +/–5% relative to the benchmark index.
- The maximum exposure to an ICB (Industry Classification Benchmark) sector will range between +/–20% relative to the benchmark index.

All of the above restrictions and guidelines are kept under review by the Board.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the year ended 31st July 2022, the Company produced a total return to shareholders of –26.1% and a total return on net assets of –23.8%. This compares with the total return on the Company's benchmark index of –16.0%. As at 31st July 2022, the value of the Company's investment portfolio was £275.6 million. The Investment Managers' Report on pages 10 to 12 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £77,632,000 (2021: Gross total return £143,495,000) and net total loss after deducting interest, administration expenses and taxation amounted to £81,395,000 (2021: Net total return £140,647,000). Distributable income for the year amounted to £6,551,000 (2021: £3,418,000).

The Directors recommend a final dividend of 6.9p (2021: 5.7p) per share payable on 19th December 2022 to holders on the register at the close of business on 11th November 2022. This distribution will cost £5,386,000 (2021: £4,449,000). Following payment of the final dividend, the revenue reserve will amount to £2,034,000 (2021: £869,000).

Gearing

The Board sets the overall gearing policy. During the year, a £40.0 million unsecured floating rate borrowing facility (with a £10.0 million accordion facility) was in place with Scotiabank which expired on 1st October 2021. On 1st October 2021, the facility was renewed with Scotiabank for a further two years on new terms and increased to £50.0 million (with a £10 million accordion facility). This facility is highly flexible and is used with the aim of enhancing returns.

As at 31st July 2022, £25 million had been drawn on the facility. Further details about the loan facility are given in note 13 on page 68.

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

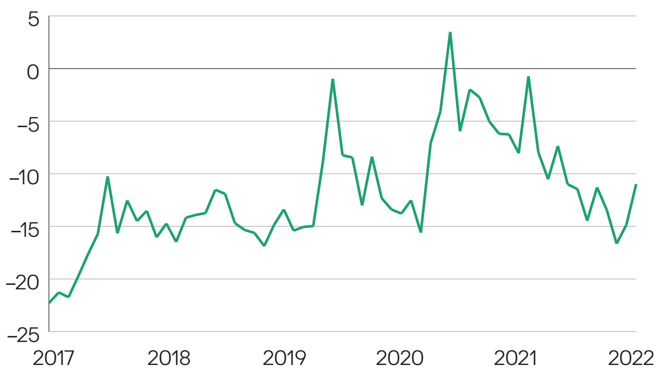
- **Performance against the benchmark index**
  - This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report. Also, please refer to the graphs on page 16.
  - The Company underperformed its benchmark index in the year ended 31st July 2022. However, over the longer-term performance has been strong, with the Company outperforming its benchmark over the medium (two, three, five years) and long term (ten years).
  - The principal objective is to outperform the benchmark. However, the Board also considers the performance relative to a broad range of competitor funds.
- **Performance attribution**
  - The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index and to understand the impact on the Company's relative performance of the various components such as sector allocation and stock selection. Details of the attribution analysis for the year ended 31st July 2022 are given in the Investment Manager's Report on page 10.
- **Share price premium/(discount) to net asset value ('NAV') per share**
  - The Board operates a share repurchase and issuance programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby reduce the volatility of the share price discount to NAV per share at which the Company's shares trade in normal market conditions. In the year to 31st July 2022, the premium/(discount) ranged between 0.8% premium and 17.8% discount, with an average discount of 10.7% based on daily data. The Company's year-end discount figure was 11.0% (2021: 8.0%).
  - The Board, at its regular meetings, undertakes reviews of marketing/investor relations and sales reports from the Manager. It also considers their effectiveness as well as measures of investor sentiment.

Company Purpose, Investment Objective, Policies and Guidelines

Discount Performance

Based on Month end data from 31st July 2017

Discount Performance



Source: Morningstar.

Please note the graph above is based on month end data only. Therefore, the graph may not reflect the highest or lowest discount values in any given financial year.

- **Ongoing Charges**
  - The ongoing charges represent the Company's management fee and all other operating expenses excluding interest, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st July 2022 were 0.99% (2021: 0.91%). The Board reviews each year an analysis which compares the Company's ongoing charges and its main expenses with those of its peers.

Share Capital

The Directors have authority on behalf of the Company to repurchase shares in the market either for cancellation or into Treasury and resell shares from Treasury or issue new Ordinary shares in the market for cash at a premium to net asset value per share.

During the year, the Company repurchased a total of nil Ordinary shares for cancellation and nil Ordinary shares into Treasury.

Resolutions to renew the authority to repurchase shares for cancellation or to hold in Treasury and issue new shares will be put to shareholders for approval at the forthcoming Annual General Meeting.

The full text of these Resolutions is set out in the Notice of Meeting on pages 79 and 80.

Diversity and Inclusion

At 31st July 2022, there were two male Directors and three female Directors on the Board. The Company has no employees. When recruiting a new Director, the Board's policy is to appoint individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board. When completing a review of the skills and experience of Directors, the Board feels that they are equipped with the necessary attributes required for the sound stewardship of the Company and that their knowledge sets allow for lively and engaging debates. Please refer to page 39 for more information on the workings of the Nomination Committee.

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and complies with the Hampton-Alexander recommendation of having 33% female representation on the Board (the figure is currently 60% for this Company).

The Nomination Committee is cognisant of the Davies and Hampton-Alexander reviews, as well as the Parker Review recommendations and the FCA's rules announced in April 2022 on diversity and inclusion on company boards.

The Board is committed to increasing diversity and inclusion over time.

Employees, Social, Community, Environmental and Human Rights Issues

An increasingly broad spectrum of investors focus on 'ESG' issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise issues directly with investee companies. The Board is aware of the focus on these issues and ensures that it understands how the Investment Managers embed them into their investment process.

Companies that address ESG issues and adopt sustainable business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governance issues have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into the Manager's investment process. However, environmental concerns and social issues are also relevant and again the focus is on the economic impact of the involvement. The Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of our shareholders. See the Company's Corporate Governance and Voting Policy in the Directors Report on page 41 for further details on Proxy Voting and Stewardship/Engagement.

Environmental, Social and Governance ('ESG')

The Board notes JPMAM's global policy statements in respect of Environmental, Social and Governance issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure.

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

A comprehensive ESG statement is included on pages 13 to 15.

Greenhouse Gas Emissions

The Company is managed by JPMF with portfolio management delegated to JPMAM. It has no employees and all of its Directors are Non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. As a low energy user under HMRC guidelines it is not required to disclose energy and carbon information. JPMAM is also a signatory to the Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/about/ourbusiness/human-rights

Corporate Criminal Offence

The Company maintains zero tolerance towards tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it seeks assurance from its service providers that effective policies and procedures are in place.

Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified and the ways in which they are managed or mitigated are summarised below.

With the assistance of the Manager, the Board has completed a robust risk assessment and drawn up a risk matrix, which identifies the key risks to the Company. The risks identified and the broad categories in which they fall, and the ways in which they are managed or mitigated are summarised below. The AIC Code of Corporate Governance requires the Audit Committee to put in place procedures to identify emerging risks. At each meeting, the Board considers emerging risks which it defines as potential trends, sudden events or changing risks which are characterised by a high degree of uncertainty in terms of occurrence probability and possible effects on the Company. As the impact of emerging risks is understood, they may be entered on the Company's risk matrix and mitigating actions considered as necessary. At present, no key emerging risks have been identified by the Board.

Principal and Emerging Risks

Principal risk	Description	Mitigating activities
Strategic and Performance Risk	The corporate strategy, including the investment objectives and policies, may not be of sufficient interest to current or prospective shareholders. Other factors, such as the size of the Company and level of liquidity in its shares, may also deter shareholder interest, resulting in the shares trading at an increased discount to net asset value. Poor investment performance, for example due to poor stock selection, asset allocation or an inappropriate level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount.	The Board regularly reviews its strategy, and assesses, with its brokers, shareholder views. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates and liquidity reports. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing, within a strategic range set by the Board.
Discount/ premium	A disproportionate widening of the discount or narrowing of the premium relative to the Company's peers could result in loss of value for shareholders, including as a result of lack of investor interest or reduction in market makers in the Company's shares.	In order to manage the volatility of the Company's discount the Company operates a share repurchase programme and the Board regularly discusses discount management policy and has set parameters for the Manager and the Company's broker to follow. The Board receives regular reports and is actively involved in the discount management process. The Board receives shareholder feedback from the Company's brokers and Manager and agrees the Company's sales and marketing plan with the Manager. Meetings with the Chair are offered annually to the Company's largest holders and shareholders are encouraged to attend the AGM.
Smaller Company Investment and Market	Investing in smaller companies is inherently more risky and volatile, partly due to a lack of liquidity in the shares, plus AIM stocks are less regulated.	The Board discusses these risk factors at each Board meeting with the Investment Managers. The Investment Managers manage investment risk in a variety of ways including the limits in relation to individual stocks and sectors relative to the Benchmark, together with other investment restrictions and guidelines, which are agreed with the Board. These are monitored on an ongoing basis.
Political and Economic	Changes in financial or tax legislation, uncertainty about the UK's future relationship with the EU, changes in government policies, financial crises, natural disasters and significant falls in the market could each adversely affect the Company's operation or performance.	The Manager makes recommendations to the Board on accounting, dividend and tax policies, and seeks external advice where appropriate. In addition, the Board seeks to mitigate risks though portfolio diversification and limits on gearing and conducts a regular review of the Company's control environment to ensure the Company can continue to operate.
Investment Management Team	Investment performance may suffer if the designated investment managers were to leave.	The Board considers that, though there may be short-term disruption, the risk would be mitigated by the substantial investment management resources of JPMorgan, and the use of an established investment methodology.

Principal and Emerging Risks

Principal risk	Description	Mitigating activities
Accounting, Legal and Regulatory	In order to qualify as an investment trust, the Company must comply with Section 1158 of the Income and Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given on page 22. Should the Company breach Section 1158, it may lose its investment trust status and as a consequence capital gains within the Company's portfolio would be subject to Capital Gains Tax. The Company must also comply with the provisions of The Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure and Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs may result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Company is also subject to a number of other laws and regulations including AIFMD, MiFID II and the Market Abuse Regulations. Corporate governance risk arises if the Board fails to keep abreast of evolving best practice.	The Section 1158 qualification criteria are regularly monitored by the Manager and the results reported to the Board each month. The Board relies on the services of its Company Secretary, JPMFL and its professional advisers to monitor compliance with all relevant requirements.
Cyber Crime	The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. In addition to threatening the Company's operations, such an attack is likely to raise reputational issues which may damage the Company's share price and reduce demand for its shares.	The Board has received the cyber security policies for its key third party service providers and JPMF has assured Directors that the Company benefits directly or indirectly from JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by an independent third party and reported every six months against the AAF Standard.
Global pandemics	The emergence of COVID-19 has highlighted the speed and extent of economic damage that can arise from a pandemic. There is the risk that emergent strains may not respond to current vaccines and may be more lethal and that they may spread as global travel increases.	Time after time, markets have recovered, albeit over varying and sometimes extended time periods, and so the Board does have an expectation that the portfolio's holdings will not suffer a material long-term impact and should recover. The Board receives reports on the business continuity plans of the Manager and other key service providers. The effectiveness of these measures has been assessed throughout the course of the COVID-19 pandemic and the Board will continue to monitor developments as they occur and seek to learn lessons which may be of use in the event of future pandemics. To date the portfolio's holdings have not exhibited a material long-term impact and have recovered as the containment measures eased, although the pandemic has yet to run its course.

Principal and Emerging Risks

Principal risk	Description	Mitigating activities
Climate change	Climate change, which barely registered with investors a decade ago, has today become one of the most critical issues confronting asset managers and their investors. Investors can no longer ignore the impact that the world's changing climate will have on their portfolios, with the impact of climate change on returns now inevitable.	Financial returns for long-term diversified investors should not be jeopardised given the investment opportunities created by the world's transition to a low-carbon economy. The Board also considers the threat posed by the direct impact of climate change on the operations of the Manager and other major service providers. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of our services providers will come under greater scrutiny. In preparing the Company's financial statements the Directors have considered the impact of climate change risk (see Note 1(a)).

Long Term Viability

The UK Corporate Governance Code and the AIC Code of Corporate Governance requires the Board to assess the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Company's current position and prospects are set out in the Chairman's Report, the Investment Managers' Report and the Strategic Report. The principal and emerging risks are set out on pages 26 to 28.

The Company has invested through many difficult economic and market cycles, including the COVID-19 crisis and the recent heightened market volatility, precipitated by Russia's war on Ukraine. The Board is cognisant of the recent market uncertainty, together with its impact on the UK and global economy and the prospects for many of the Company's portfolio holdings. Notwithstanding this crisis, given the factors stated below, the Board expects the Company to continue for the foreseeable future and has conducted its assessment for a period of five years.

Taking account of the Company's current position, the principal and emerging risks of the Company and their potential impact, on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. The Company has no loan covenants or liabilities that cannot be readily met and the Directors have reviewed income and expense projections and the liquidity of the investment portfolio in making their assessment. The Directors have made their assessment by considering those principal and emerging risks, including the lower liquidity and high volatility of smaller company shares, in the light of the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the UK economy and its equity markets. Equity markets across the world are being impacted by inflationary concerns, rate rises and risks to energy supply. Notwithstanding the uncertainty, the Board does not believe that it calls into question the long term viability of the Company, particularly as the Company's loan covenants and liabilities can be readily met. The Directors have examined the robustness of these base case estimates using further severe but plausible scenarios, including the market contractions caused by the 2008 financial crisis and the COVID-19 pandemic.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving long–term capital growth, shareholders should consider the Company as a long-term investment proposition. The Directors also take account of the inherent uncertainties of equity markets and the existence of a continuation vote every three years. As a result of all these deliberations, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that, assuming a successful continuation vote at the 2023 AGM, they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years until 31st July 2027. This reasonable expectation is subject to there being no significant adverse change to the regulatory or taxation environment for investment trusts; and subject to there being no sustained adverse investment performance by the current or any successive investment managers, that may result in the Company not being able to maintain a supportive shareholder base.

For and on behalf of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited, Secretary

14th October 2022

Duty to Promote the Success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

The Board is responsible for all decisions relating to the Company's investment objective and policies, gearing, discount management, corporate governance and strategy, and for monitoring the performance of the Company's third party service providers, including the Manager. The Board's philosophy is that the Company should foster a culture where all the Company's stakeholders are treated fairly and with respect and the Board recognises the importance of acting fairly between them, which is front of mind in its key decision making. As an externally managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its Manager, its investee companies, and its other professional third party service providers (corporate broker, registrar, auditor, custodian and depositary) and wider society. The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives while carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

The table below sets out details of the Company's engagement with these stakeholders:

Stakeholder Engagement
Shareholders
Ongoing shareholder engagement is critical to the continued existence of the Company and the successful delivery of its long term strategy. The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. To ensure continuing engagement with shareholders, the Manager conducts a significant number of shareholder meetings each year and provides the Board with ongoing feedback. Under normal operating circumstances shareholders are encouraged to attend the Company's Annual General Meeting. Shareholders can contact Directors via the Company Secretary.
Manager
The principal supplier is the Manager, in particular the investment management team who are responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director whose interactions extend well beyond the formal business addressed at each Board and Committee meeting. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).
Investee Companies
The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager. In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies. In respect of the year under review, the Manager voted at all of the annual general meetings and extraordinary meetings held during the year by the Company's portfolio companies (full details can be found in the ESG report on page 14). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.
Other Key Service Providers
The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar, Auditor and Broker to be stakeholders. The Board maintains regular contact with its key external service providers, either directly or via its dedicated company secretary or client director and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers.

Duty to Promote the Success of the Company

Wider Society and the Environment

Whilst strong long term investment performance is essential for an investment trust, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance ('ESG') considerations are integrated into the Manager's investment process and will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 13 to 15.

Since the year end, the Manager has become a signatory to the UK Stewardship Code. This reflects the Manager's commitment to stewardship responsibilities and to drive positive corporate change and industry developments to benefit not only the Company but also the environment and wider society over the long-term.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

Key Decisions and Actions

Broker

During the year, the Board evaluated the provision of Corporate Broking and Corporate Finance services from potential candidates. As a result, the Board appointed a new Broker, Panmure Gordon, to provide broking and advisory services to the Company with effect from 17th September 2021.

Name Change

During the year, the Board took the decision to change the Company name to JPMorgan UK Smaller Companies Investment Trust plc (with effect from 21st September 2021) as it believed that this would be beneficial from a search perspective as having UK in the name would support the retail investor and increase traffic to the Company's website.

Modification to Investment Guidelines

With more small cap companies choosing to list on AIM and fewer moving from AIM to the Main Market of the London Stock Exchange, with effect from 14th July 2022 the Directors took the decision to increase the percentage of assets which the Company can hold in AIM stocks. In addition, reflecting the composition of the Benchmark, a minimum holding of AIM stocks relative to the Benchmark was introduced.

Previously, there was an investment restriction that the Company would not normally invest more than 50% of its gross assets in AIM stocks. This has now been amended so that the Company may invest in AIM stocks up to a maximum and minimum exposure limit of +/–20% relative to the Benchmark.

Increasing the Profile of the Company

Not withstanding the caution investors currently have in investing in the UK, it is important that the Company remains front of mind with both institutional and retail investors. The Board employs Kepler to provide research notes for the Company twice a year.

Borrowings and Gearing

The Company has increased its borrowing capacity during the year by increasing the amount under its loan from £40 million to £50 million (with an accordion facility of £10 million). The introduction of the additional debt permits the maintenance of the relative gearing level of the Company as the asset base grows which the Board believes will enhance returns to shareholders over the long term.

Succession Planning

The Board has progressed its succession plans this year resulting in the decision to appoint Katrina Hart as an independent Non-Executive Director with effect from 17th June 2022. Having served as a Director since 2013, Frances Davies will be retiring from the Board at the forthcoming AGM in December. Frances will be succeeded in her roles as Senior Independent Director and Chairman of the Remuneration Committee by Alice Ryder. Your Directors believe that shareholder interests are best served by ensuring a smooth and orderly succession for the Board which serves to provide both continuity and refreshment whilst ensuring diversity of both background and experience.

Duty to Promote the Success of the Company

Miscellaneous

In addition, the Directors have kept under review the competitiveness of the management fee and the Company's other operating costs; continued to hold the Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; and continued to encourage the Manager to enhance its sales and marketing efforts.

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited
Company Secretary

14th October 2022

Board of Directors

Andrew Impey*† (Chairman of the Board, Nomination and Management Engagement Committee)

A Director since March 2015.

Last reappointed to the Board: 2021.

Current remuneration: £42,000.

He is currently a consultant at Rathbones Investment Management and a non-executive director of Pacific Assets Trust plc. He was previously a partner of Albion Capital Group LLP and joint managing director at OLIM Limited. He has over 30 years' fund management experience including UK smaller companies and investment trusts. Prior to joining OLIM in 2009, he was Chief Investment Officer at Singer & Friedlander Investment Management. He is a charity trustee and on a number of investment committees and a director of HMS Victory Preservation Company.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 28,000.

Gordon Humphries*† (Chairman of the Audit Committee)

A Director since July 2020.

Last reappointed to the Board: 2021.

Current remuneration: £34,000.

He is a director of Foresight VCT plc, Maven Income & Growth VCT 5 plc and the Association of Investment Companies. He has more than 30 years of investment trust experience. He is a chartered accountant.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 10,500.

Frances Davies*† (Chair of the Remuneration Committee and Senior Independent Director)

A Director since March 2013.

Last appointed to the Board: 2021.

Current remuneration: £29,000.

Since 2007, she has been a partner of Opus Corporate Finance, a corporate finance advisory business providing independent strategic advice to businesses across Europe. She is a director of Aviva Life's With Profits Committee, Aegon Investments Ltd, HICL plc and Supermarket Income REIT plc. She is also a member of the appointments committee of Hermes Property Unit Trust.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 4,045.

Alice Ryder*†

A Director since February 2017.

Last reappointed to the Board: 2021.

Current remuneration: £27,500.

She is a partner of Stanhope Capital LLP and Head of Stanhope Consulting. She is a non-executive director of BlackRock North American Income Trust PLC and a member of the Investment Committee for the Royal Academy Trust.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 5,000.

Katrina Hart*†

A Director since June 2022.

Current remuneration: £27,500.

During her extensive career in corporate finance and equity research, she specialised in UK small cap companies, notably in the financials sector. She is currently a non-executive director of Montanaro Asset Management Ltd, BlackRock Frontiers Investment Trust plc, Keystone Positive Change Investment Trust plc, Polar Capital Global Financials Trust plc and AEW UK REIT plc. She was previously a non-executive director of Premier Miton Group plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company: 7,541.

* Considered independent by the Board

† All Directors are members of the Audit, Nomination, Remuneration and Management Engagement Committees

All Directors are considered independent of the Manager.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st July 2022.

Management of the Company

The Manager and Company Secretary is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM'). The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides accounting, banking, dealing and custodian services to the Company.

JPMF is employed under a contract terminable on three months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Board, through the Management Engagement Committee, conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Investment Managers, the performance against the benchmark over the long-term, and the support that the Company receives from JPMF. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF').

JPMF has delegated responsibility for the day–to–day management of the Company's portfolio to JPMAM. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmuksmallercompanies.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

The Company's leverage and JPMF's remuneration disclosures are set out on page 77.

Management Fee

The management fee is paid by monthly installments based on the total assets less current liabilities at the beginning of each month and during the year under review was charged at a rate of 0.75% per annum on gross assets up to £200 million; thereafter, 0.65% on gross assets over £200 million. Loans that are drawn down under a loan facility with an original maturity date of one year or more are not classified as current liabilities for the purpose of the management fee calculation. If the Company invests in funds managed or advised by the Manager or any of its associated companies, the investments are excluded from the calculation and therefore attract no fee. The Company invests any surplus liquidity into a non-charging class of the JPMorgan Sterling Liquidity Fund and this Fund is therefore not excluded from the management fee calculation.

Directors

The Directors of the Company who held office at the end of the year are as detailed on page 34.

Details of Directors' beneficial shareholdings may be found in the Directors' Remuneration Report on page 46. No changes have been reported to the Directors' shareholdings since the year end.

In accordance with corporate governance best practice, all Directors, with the exception of Frances Davies (who will be retiring from the Board at the conclusion of the Annual General Meeting), will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for appointment/reappointment by shareholders. The Board seeks to balance the need for refreshment of its members with the value derived from their experience and continuity. The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be independent, effective and demonstrates commitment to the role, and the Board recommends to shareholders that they be appointed/reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of a deed of indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to Auditor

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

Directors' Report

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

(b) each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Independent Auditor

Ernst & Young LLP have expressed their willingness to continue in office as Auditor to the Company and a resolution proposing their reappointment and to authorise the Directors to agree their remuneration for the ensuing year will be put to shareholders at the forthcoming Annual General Meeting.

Companies Act 2006 Requirements

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report. The Ordinary shares have a premium listing on the London Stock Exchange.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of AGM on page 82.

Notifiable Interests in the Company's Voting Rights

At the financial year end the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
JPMorgan Asset Management Holdings Inc.	7,758,114	9.94
Border to Coast Pension	4,584,444	5.87
City of Bradford West Yorkshire Pension Fund	4,272,500	5.47
Legal & General Group Plc	3,910,790[1]	5.01
Rathbones Brothers Plc	3,682,602	4.72
Royal London Asset Management Limited	2,543,405	3.26

[1] This figure has been adjusted following the subdivision of shares in 2018. The last holding in the Company declared prior to this was 782,158.

No changes to these holdings had been notified the date of this report.

Miscellaneous Information

The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Annual general meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming AGM:

(i) Authority to issue new shares and disapply pre-emption rights (Resolutions 10 and 11)

The Directors will seek renewal of the authority at the AGM to issue up to 10% of the present issued share capital (excluding Treasury shares) or sell shares held in Treasury, other than by a pro-rata issue to existing shareholders. The full text of the resolutions is set out in the Notice of Annual General Meeting on page 79.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the NAV, thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's gross assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies.

(ii) **Authority to repurchase the Company's ordinary shares (Resolution 12)**

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2021 AGM, will expire on 22nd May 2023. The Board remains committed to a stable discount, although recognising the need to balance the short term benefit of buying shares back for cancellation or holding in Treasury with the long term liquidity implications. The Board will therefore seek shareholder approval at the AGM to renew this authority which will last until 4th June 2024 or until the whole of the 14.99% has been acquired, whichever is the earlier.

The full text of the resolution is set out in the Notice of Annual General Meeting on pages 79 and 80. Repurchases will be made at the discretion of the Board, and will only be made in the market at prices below the prevailing NAV per share as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 10 to 12 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings, which amount in aggregate to 55,086 shares, representing approximately 0.07% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Board is committed to high standards of corporate governance. It has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code') published in 2018, as they apply to investment trust companies. It considers that reporting against the AIC Code therefore provides more appropriate information to the Company's shareholders. Through ongoing advice throughout the year from the Company Secretary and the use of a detailed checklist, the Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far as they apply to the Company's business, throughout the year under review. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following:

- the role of the executive directors and senior management;
- executive directors' and senior management remuneration;
- internal audit; and
- the workforce

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk

Role of the Board

A management agreement between the Company and the Manager sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the period under review.

The Board meets at least four times during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMF, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board is chaired by Andrew Impey, and consists of five non-executive Directors. All of the Board are regarded as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 34.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Senior Independent Director leads the evaluation of the performance of the Chairman. The Senior Independent Director is also available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman. Following the retirement of Frances Davies at the forthcoming AGM, Alice Ryder will take on the role of Senior Independent Director.

Corporate Governance Statement

The Board's policy on diversity, including gender, is to take account of the benefits of this during the appointment process. The Board remains committed to appointing the most appropriate candidate and seeks to ensure that it does not unwittingly exclude any group. Therefore, no targets have been set against which to report.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 34. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. As disclosed in the Chairman's Statement, the Board will reduce to four members following the Annual General Meeting on 5th December 2022 as Frances Davies will be retiring at the conclusion of the Annual General Meeting.

Resolution 5 concerns the appointment of Katrina Hart, who joined the Board in June 2022. Katrina is currently a non-executive director of Montanaro Asset Management Ltd, BlackRock Frontiers Investment Trust plc, Keystone Positive Change Investment Trust plc, Polar Capital Global Financials Trust plc and AEW UK REIT plc. She has longstanding financial markets expertise and extensive Board experience.

For details of her current directorships, please refer to page 34 of the Report.

Resolution 6 concerns the reappointment of Gordon Humphries. He joined the Board in July 2020 and has served for two years as a Director. He assumed the role of Audit Committee Chairman from Andrew Robson in November 2020. Gordon is a director and chairman of the audit and remuneration committees of Foresight VCT plc and a director and chairman of the audit and risk committees of Maven Income & Growth VCT 5 plc. He is also a director of the Association of Investment Companies. He has more than 30 years of investment trust experience, including responsibilities in the areas of risk management and controls processes, company secretarial and corporate finance.

For details of his current directorships, please refer to page 34 of the Report.

Resolution 7 concerns the reappointment of Andrew Impey. He joined the Board in March 2015 and has served for seven years as a Director and was appointed as Chairman in 2019. Andrew is a consultant at Rathbones Investment Management and a non-executive director of Pacific Assets Trust plc. He was previously a partner of Albion Capital Group LLP and joint managing director at OLIM Limited. He has held a number of other executive, non-executive and advisory positions and has over 30 years' fund management experience including UK smaller companies and investment trusts.

For details of his current directorships, please refer to page 34 of the Report.

Resolution 8 concerns the reappointment of Alice Ryder. She joined the Board in February 2017 and has served for five years as a Director. Alice is a partner at Stanhope Capital LLP and holds a number of non-executive positions. She has more than 29 years of investment experience, a good part of which included the management of smaller UK companies.

For details of her current directorships, please refer to page 34 of the Report.

The Board confirms that each of the Directors standing for reappointment at the forthcoming Annual General Meeting continue to contribute effectively and recommends that shareholders vote in favour of their reappointment.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be appointed by shareholders. Thereafter, a Director's appointment is subject to the performance evaluation carried out each year and the approval of shareholders at each annual general meeting, in accordance with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the ongoing requirements of the AIC Code, including the need to refresh the Board and its Committees.

The Board has adopted corporate governance best practice and all Directors will stand for annual reappointment with the exception of Frances Davies, who will retire at the forthcoming AGM, and Katrina Hart, who will stand for appointment.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

A list of potential conflicts of interest for each Director is maintained by the Company. These are considered carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved.

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies and the wider market for investment products. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Nomination Committee undertakes an annual performance evaluation, as described below, to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of Committees are shown with the Directors' profiles on page 34.

The table below details the number of Board and Committee meetings attended by each Director during the year. There were four full Board meetings, including a private meeting of the Directors to evaluate the Manager, two Audit Committee meetings, one Nomination Committee meeting, one Management Engagement Committee meeting and one Remuneration Committee meeting.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination Committee Meetings Attended	Management Engagement Committee Meetings Attended	Remuneration Committee
Frances Davies	3	1	1	1	1
Katrina Hart[1]	1	n/a	n/a	n/a	n/a
Gordon Humphries	4	2	1	1	1
Andrew Impey	4	2	1	1	1
Alice Ryder	4	2	1	1	1

[1] Appointed on 17 June 2022.

As well as the formal meetings detailed above, the Board meets and communicates frequently by email or telephone to deal with day-to-day matters as they arise.

Board committees

Nomination Committee

The Nomination Committee is chaired by Andrew Impey. The Committee consists of all the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. In relation to the recent appointment of Katrina Hart, the services of Tyzack Partners, an external recruitment consultant, were used to find suitable candidates. The Company has no connection to the recruitment consultant.

The Board's policy on diversity is set out on page 38.

The Committee has a succession plan to refresh the Board in an orderly manner over time.

The Committee conducts an annual performance evaluation of the Board, its committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together. Questionnaires, drawn up by the Board, with the assistance of the Manager and Lintstock Ltd, a firm of independent consultants, are completed by each Director. Lintstock has no other connections with the Company. The responses are collated and then discussed by the Committee. The evaluation of individual Directors is led by the Chairman. The Senior Independent Director leads the evaluation of the Chairman's performance.

The Nomination Committee is cognisant of the FCA's rules announced in April 2022 on diversity and inclusion on company boards.

Remuneration Committee

The Remuneration Committee, currently chaired by Frances Davies, reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy and implementation. This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

Following the retirement of Frances Davies at the forthcoming AGM, Alice Ryder will become Chairman of the Remuneration Committee.

Management Engagement Committee

The Management Engagement Committee is chaired by Andrew Impey. It consists of all of the Directors and meets annually to review the performance of the Manager and other service providers.

The Committee conducts a formal evaluation of the Manager on an annual basis. The evaluation includes consideration of the investment strategy and process of the Investment Manager, noting outperformance of the benchmark over the long term, and the quality of support that the Company receives from JPMF. The Committee also reviews the Company's agreements with other major service providers. As a result of the evaluation process, the Board confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole.

Audit Committee

The report of the Audit Committee is set out on pages 42 and 43.

Terms of Reference

The Nomination, Remuneration, Management Engagement and Audit Committees have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on request at the Company's registered office, on the Company's website and at the Company's AGM.

Corporate Governance Statement

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders by way of the Annual Report and Financial Statements and the Half Year financial report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares, the weekly publication of the Company's level of gearing and the monthly publication of a Company factsheet.

In normal circumstances all shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers and the Investment Managers hold regular discussions with shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 86.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days' notice of the AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 86. A formal process is in place for all letters to the Chairman or other Directors to be forwarded immediately. As part of this process, any feedback from shareholders is also communicated to the Board.

Details of the proxy voting position on each resolution will be published on the Company's website shortly after the AGM.

Risk Management and Internal Control

The AIC Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by JPMF and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure that they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging risks on pages 25 to 28). This process has been in place for the year under review and up to the date of the approval of the annual report and accounts and it accords with the Financial Reporting Council's guidance.

Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board.

The key elements designed to provide effective internal control are as follows:

- **Financial Reporting**

  Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

- **Management Agreements**

  Appointment of a manager and custodian regulated by the Financial Conduct Authority (FCA), whose responsibilities are clearly defined in written agreements.

- **Management Systems**

  The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules and reports to the Board.

- **Investment Strategy**

  Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

  The Board, either directly or through the Audit Committee, keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of the key operating controls of JPMAM and its associates as follows:

  - reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;

- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed;
- the Board reviews every six months a report from the Company's Depositary, Bank of New York Mellon (International) Limited ('BNYM'), which summarises the activities performed by the Depositary during the reporting period; and
- the Board reviews every six months an independent report on the internal controls and the operations of JPMF's investment trust department.

- **Depositary**

  The Board has appointed BNYM as depositary, with responsibilities for safe keeping of custodial assets and oversight of the records and cash flows.

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 31st July 2022, and to the date of approval of this Annual Report and Accounts & Financial Statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of the JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 24.

Corporate Governance

JPMAM believes that corporate governance is integral to its investment process. As part of its commitment to delivering superior investment performance to our clients, it expects and encourages the companies in which it invests to demonstrate the highest standards of corporate governance and best business practice. JPMAM examines the share structure and voting structure of the companies in which it invests, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of JPMAM's proxy voting and engagement activity.

Proxy Voting

JPMAM manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM to vote in a prudent and diligent manner, based exclusively on its reasonable judgement of what will best serve the financial interests of its clients. So far as is practicable, JPMAM will vote at all of the meetings called by companies in which it is invested.

Stewardship/Engagement

JPMAM believes effective investment stewardship can materially contribute to helping build stronger portfolios over the long term for its clients. At the heart of JPMAM's approach lies a close collaboration between its portfolio managers, research analysts and investment stewardship specialists to engage with the companies in which JPMAM invests. Regular engagement with JPMAM's investee companies through investment-led stewardship has been a vital component of JPMAM's active management heritage.

JPMAM continues to exercise active ownership through regular and ad hoc meetings, and through its voting responsibilities.

JPMAM's formal stewardship structure is designed to identify risks and understand its portfolio companies' activities, in order to enhance value and mitigate risks associated with them. JPMAM has identified five main investment stewardship priorities it believes have universal applicability and will stand the test of time:

- *governance;*
- *strategy alignment with the long term;*
- *human capital management;*
- *stakeholder engagement; and*
- *climate risk.*

Within each priority area, JPMAM has identified related themes it is seeking to address over a shorter time frame. These themes will evolve as JPMAM engages with companies to understand issues and promote best practice. This combination of long-term priorities and evolving, shorter-term themes provides JPMAM with a structured and targeted framework to guide its investors and investment stewardship teams globally as JPMAM engages with investee companies around the world.

JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council ('FRC') in the UK Stewardship Code, to which JPMAM is a signatory.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/institutional/communications/lux-communication/corporate-governance-principles-and-voting-guidelines.pdf

By order of the Board
Lucy Dina, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

14th October 2022

Audit Committee Report

Composition and Role

The Audit Committee, chaired by Gordon Humphries and whose membership is set out on page 34, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts financial statements and the Company's compliance with the AIC Code. It examines the effectiveness of the Company's internal control systems. It monitors the Company's key risks and controls relating to those risks. It receives controls reports on the Manager and the custodian and monitors the controls and service levels at the Company's other key third party suppliers. It also receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor. The Audit Committee has reviewed the independence and objectivity of the auditor and is satisfied that the auditor is independent. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. Having considered the Company's investment objective (see page 22), risk management policies (see pages 40 and 41), capital management policies and procedures (see page 75), the nature of the portfolio and revenue as well as expenditure projections, taking into account the heightened market volatility since the COVID-19 outbreak and more recently the Russian invasion of Ukraine on the revenue expected from underlying investments in these projections and inflationary concerns, rate rises and risks to energy supply, the Directors believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence to 31st October 2023, being at least 12 months from approving this annual report and financial statements. The Company's assets, the vast majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly under all stress test scenarios reviewed by the Board and reviews of the impact of market factors, structural and financial factors and operating factors. These factors are also referenced in the Company's Long Term Viability Statement on page 29.

Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company's key third party suppliers, including its Manager, are not experiencing any operational difficulties to adversely affect their services to the Company. In addition, and in particular, the Board has considered the impact of heightened market volatility since the COVID-19 outbreak and more recently the Russian invasion of Ukraine, but does not believe the Company's going concern status is affected.

For these reasons, the Directors consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. They have not identified any material uncertainties in the Company's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

The Audit Committee assesses the Company's ability to continue as a going concern to 31st October 2023 and makes recommendations to the Board to approve the going concern concept for preparation of the financial statements. The Company's longer-term viability is considered in the Viability Statement on page 29.

Financial statements and significant accounting matters

During its review of the Company's financial statements for the year ended 31st July 2022, the Audit Committee considered the following significant issues, including those communicated by the Auditor during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the accounts on page 61. Controls are in place to ensure that valuations are appropriate and existence is verified through Custodian reconciliations. Given the portfolio comprises smaller companies, the Audit Committee also considers the liquidity of investee company shares and any impact that it might have on valuation.
Recognition of Investment Income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on pages 61 and 62. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.

Significant issue	How the issue was addressed
Compliance with Sections 1158 and 1159	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st August 2013 has been obtained and ongoing compliance with the eligibility criteria is monitored by the Board on a regular basis.
Calculation of management fees	Consideration is given to the methodology used to calculate fees, matched against the criteria set out in the Investment Management Agreement.

The Board was made fully aware of any significant financial reporting issues and concludes there are no accounting judgements made in connection with the preparation of the financial statements.

Risk Management and Internal Control

The Committee examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external Auditor.

The Directors have a robust process for identifying, evaluating and managing the significant risks faced by the Company, which are recorded in a risk matrix. The Committee, on behalf of the Board, considers each key risk as well as reviewing the mitigating controls in place. Each risk is rated for its likelihood of occurrence and its potential impact, how these risks are monitored and mitigating controls in place. The Board has delegated to the Committee the responsibility for the review and maintenance of the risk matrix.

The Directors' statement on the Company's system of internal control is set out on pages 40 and 41.

Auditor Appointment and Tenure

The Audit Committee has a primary responsibility for making recommendations to the Board on the reappointment and removal of the external auditor and their fee. Representatives of the Company's Auditor attended the Audit Committee meeting at which the draft Annual Report & Financial Statements were considered and also engage with Directors as and when required. The current audit fee is £38,750 (2021: £32,500). The Committee recognises there have been changes in audit requirements in recent years and further changes are anticipated. It accepts that increases in audit fees in the sector are inevitable. It also recognises the quality of the audit provided by EY. Having reviewed the performance of the external Auditor, including assessing the quality of work, proposed fee, timing of communications and work with the Manager, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the independent auditor and assesses the impact of any non audit work on the ability of the auditor to remain independent. Details of the Auditor's fees paid are disclosed in note 6 on page 64. There were no non-audit fees incurred during the year. Ernst & Young LLP was appointed at the AGM in 2017 following an audit tender. The Company's year ended 31st July 2022 is the current Audit Partner's final year of a five year maximum term. In accordance with requirements relating to the appointment of auditors, the Company will conduct a competitive audit tender no later than in respect of the financial year ending 31st July 2027.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st July 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 49.

For and on behalf of the Board
Gordon Humphries
Audit Committee Chairman

14th October 2022

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st July 2022, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in their report on pages 51 to 56.

Directors' Remuneration Policy

The law requires that the Directors' Remuneration Policy is subject to a triennial binding vote. However, the Board has resolved that for good governance purposes, the policy vote will be put to shareholders every year. Accordingly, a resolution to approve this policy will be put to shareholders at the forthcoming AGM. The policy subject to the vote is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board. The Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles.

The Remuneration Committee, comprising all Directors, reviews fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager and industry research on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide in relation to the setting of the remuneration policy for Directors.

All of the Directors are non executive. There are no performance related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of any reasonable out of-pocket expenses incurred in attending the Company's business.

At the start of the year under review, Directors' fees were paid at the following rates: Chairman £38,000 per annum; Chairman of the Audit Committee £31,500 per annum; Senior Independent Director £27,500 per annum; and the other Directors £26,000 per annum.

Following a review, on 1st August 2022, fees were increased to Chairman £42,000 per annum; Chairman of the Audit Committee £34,000 per annum; Senior Independent Director £29,000 per annum and the other Directors £27,500 per annum. The new Director appointed to the Board on 17th June 2022 is being paid an annual rate of £27,500. There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

The Company's Articles of Association currently stipulate that aggregate fees must not exceed £200,000 per annum and provide that any increase in the maximum aggregate annual limit on Directors' fees requires both Board and shareholder approval.

The Company has not sought shareholder views on its remuneration policy. The Remuneration Committee has considered any comments received from shareholders on remuneration policy on an ongoing basis and will take account of these views if appropriate.

The Directors do not have service contracts with the Company. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's AGM and the Company's registered office. Details of the Board's policy on tenure are set out on page 38.

The Company's Remuneration policy also applies to new Directors.

Remuneration Policy Implementation Report

The Directors' Remuneration Policy Implementation Report is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM. There have been no changes to the policy during this financial year compared with the year ended 31st July 2021 and no changes are proposed for the year ending 31st July 2023.

At the AGM held on 23rd November 2021, of votes cast, 99.87% of votes cast were in favour of (or granted discretion to the Chairman who voted in favour of) the Resolutions to approve both the Directors' Remuneration Policy and 0.13% voted against. Of votes cast in respect of the Directors' Remuneration Report, 99.90% were in favour (or granted discretion to the Chairman who voted in favour) and 0.10% were against.

Details of voting on both the Remuneration Policy and Remuneration Policy Implementation Reports from the 2022 AGM will be given in the annual report for the year ending 31st July 2023.

Details of the implementation of the Company's remuneration policy are given below. No advice from remuneration consultants was received during the year under review.

Directors' Remuneration Report

Single total figure of remuneration

The single total figure of remuneration for the Board as a whole for the year ended 31st July 2022 was £126,205. The single total figure of remuneration for each Director is detailed below together with the prior year comparative. There are no performance targets in place for the Directors of the Company and there are no benefits for any of the Directors which will vest in the future. There are no taxable benefits, pension, bonus, long term incentive plans, exit payments or arrangements in place on which to report.

Single Total Figure Table[1]

	2022			2021		
Directors	Fees[2] £	Taxable benefits £	Total £	Fees[2] £	Taxable benefits £	Total £
Frances Davies	£27,500	—	£27,500	£26,500	—	£26,500
Katrina Hart[3]	£3,205	—	£3,205	n/a	n/a	n/a
Gordon Humphries[4]	£31,500	£2,176	£33,676	£28,016	—	£28,016
Andrew Impey	£38,000	—	£38,000	£36,000	—	£36,000
Andrew Robson[5]	n/a	n/a	n/a	£11,984	—	£11,984
Alice Ryder	£26,000	—	£26,000	£25,000	—	£25,000
Total	**£126,205**	**£2,176**	**£128,381**	**£127,500**	**—**	**£127,500**

[1] Audited information. Other subject headings for the single figure table as prescribed by regulations are not included because there is nothing to disclose in relation thereto.
[2] Directors' remuneration comprises an annual fee only.
[3] Appointed on 17th June 2022.
[4] Assumed position of Audit Committee Chairman on 24th November 2020.
[5] Retired on 24th November 2020.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the year to 31st July 2022:

Directors' Name	% change for the year to 31st July 2022	% change for the year to 31st July 2021	% change for the year to 31st July 2020
Frances Davies	+3.6%	+1.0%	+6.4%
Katrina Hart[1]	n/a	n/a	n/a
Gordon Humphries[2]	+20.2%	+12.1%	n/a
Andrew Impey	+5.2%	+11.4%	+30.0%
Alice Ryder	+3.8%	—	+1.3%

[1] Appointed on 17th June 2022.
[2] Assumed role of Audit Committee Chairman on 24th November 2020.

No amounts (2021: nil) were paid to third parties for making available the services of Directors. A table showing the total remuneration for the Chairman over the five years ended 31st July 2022 is below:

Remuneration for the Chairman over the five years ended 31st July 2022

Year ended 31st July	Fees	Performance related benefits received as a percentage of maximum payable[1]
2022	£38,000	n/a
2021	£36,000	n/a
2020	£36,000	n/a
2019	£35,000	n/a
2018	£33,000	n/a

[1] In respect of one year period and periods of more than one year.

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The beneficial shareholdings of the Directors who held office at the year-end are detailed below.

Directors' Name	31st July 2022 Number of shares held	31st July 2021 Number of shares held
Ordinary shares		
Frances Davies	4,045	4,045
Katrina Hart[2]	7,541	n/a
Gordon Humphries	10,500	9,000
Andrew Impey	28,000	25,000
Alice Ryder	5,000	5,000
Total	**55,086**	**43,045**

[1] Audited information.
[2] Appointed on 17th June 2022.

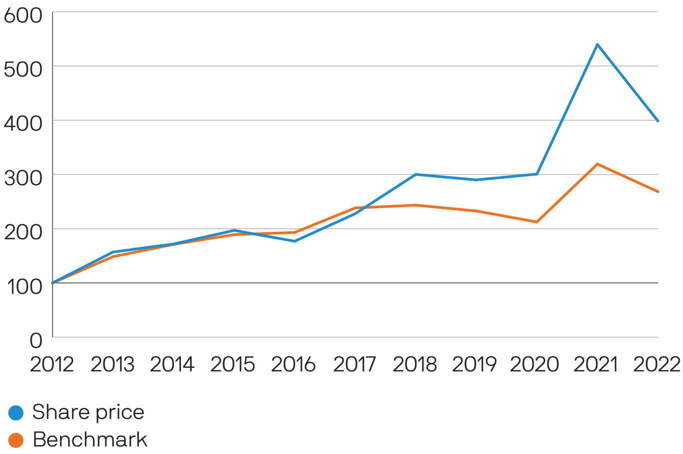
As at the latest practicable date before the publication of this document, there have been no changes to the Directors' shareholdings in the Company.

The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the Numis Smaller Companies plus AIM Index (excluding Investment Companies) over the last ten years, is shown below. The Board believes that this index is the most appropriate for the Company's performance comparison purposes because it most closely reflects the Investment Managers' investment universe.

Directors' Remuneration Report

Ten Year Share Price and Benchmark Total Return Performance to 31st July 2022



The table below is provided to enable shareholders to assess the relative importance of expenditure on Directors' remuneration. It compares the remuneration with distributions to shareholders by way of dividends and share repurchases.

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st July 2022	2021
Remuneration paid to all Directors	£126,205	£127,500
Distribution to shareholders		
— by way of dividend	£4,449,000	£4,293,000
— by way of share repurchases	—	—

For and on behalf of the Board
Andrew Impey
Chairman

14th October 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair balanced and understandable and provide the information necessary, for shareholders to assess the Company's performance, business model and strategy, and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the www.jpmuksmallercompanies.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the Annual Report since it was initially presented on the website. The Annual Report is prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report and a Directors' Remuneration Report that comply with that law and those regulations.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Board confirms that it is satisfied that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board
Andrew Impey
Chairman

14th October 2022

Independent Auditor's Report

Independent Auditor's Report to the Members of JPMorgan UK Smaller Companies Investment Trust plc

Opinion

We have audited the financial statements of JPMorgan UK Smaller Companies Investment Trust plc ('the Company') for the year ended 31st July 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31st July 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of the Company's going concern assessment process and engagement with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspection of the Directors' assessment of going concern, including the revenue forecast, for the period to 31st October 2023 which is at least twelve months from the date these financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Review of the factors and assumptions, including the impact of the COVID-19 pandemic and other significant events that could give rise to the market volatility, as applied to the revenue forecast and the Directors' liquidity assessment of investments. We also reviewed the impact on net asset value from the reverse stress testing performed. We considered the appropriateness of the methods used to be able to make an assessment for the Company.
- In relation to the Company's borrowing arrangements, our inspection of the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and reviewed the Directors' reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- Consideration of the mitigating factors included in the revenue forecast and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should revenue decline significantly.
- Review of the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31st October 2023.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Independent Auditor's Report

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income • Risk of incorrect valuation or ownership of the investment portfolio
Materiality	• Overall materiality of £2.60 million which represents 1% of shareholders' funds.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations. This is explained in the principal risk section on page 28 which forms part of the 'Other Information' rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1a and conclusion that there was no material impact of climate change on the valuation of investments. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income (refer to the Report of the Audit Committee set out on page 42 and the accounting policy set out on page 61). The total revenue for the year 31st July 2022 was £8.10 million (2021: £4.57 million), consisting primarily of dividend income from listed investments. The Company received £1.02 million of special dividends, all classified as revenue (2021: £0.29 million classified as revenue). There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply the appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures. For all dividends received we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data source. For a sample of dividends received we agreed amounts to bank statements and, where applicable, agreed the exchange rates to an external source. For dividends accrued, we reviewed the investee Company announcements to assess whether the dividend obligations arose prior to 31st July 2022. We agreed the dividend rate to corresponding announcements made by the investee Company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements, where paid. To test completeness of recorded income, we tested that expected dividends for each investee company held during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor. For all investments held during the year, we compared the type of dividends paid with reference to an external data source to identify those which were 'special'. We confirmed five special dividends, amounting to £1.02 million, were received during the year. We tested three special dividends, amounting to £0.93 million, by recalculating the amount received and assessing the appropriateness of classification as revenue by reviewing the underlying rationale of the distribution.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statement of Comprehensive Income.

Independent Auditor's Report

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of the investment portfolio (refer to the Report of the Audit Committee set out on page 42 and the accounting policy set out on page 61)The valuation of the investment portfolio at 31st July 2022 was £275.60 million (2021: £377.14 million) consisting of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Inappropriate investment pricing, or a failure to maintain proper legal title of the investments held by the Company, could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined by reference to stock exchange listed market bid prices at close of business on the reporting date.	**We performed the following procedures:** We obtained an understanding of the processes and controls surrounding investment title and the pricing of listed securities by performing our walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing source and recalculated the investment valuations as at the year-end. We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed around the year end. For two investments, we verified whether the listed price was a valid fair value through review of trading activity and price movements one week either side of the year end. We agreed the Company's investments to the independent confirmations received from the Company's Custodian and Depositary as at 31st July 2022.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.60 million (2021: £3.46 million), which is 1% (2021: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £1.95 million (2021: £2.60 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates that a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.33 million (2021: £0.17 million), being 5% of the net revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13 million (2021: £0.17 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 42;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 29;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 42;
- Directors' statement on fair, balanced and understandable set out on page 43;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 40; and;
- The section describing the work of the audit committee set out on page 42.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 49, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, UK Corporate Governance code, the Association of Investment Companies' Code and Statement of Recommended Practice, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary, and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital. Further discussion of our approach is set out in the key audit matter above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the Company Secretary's reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 28th November 2017 to audit the financial statements for the year ending 31st July 2018 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ending 31st July 2018 to 31st July 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Caroline Mercer (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
Edinburgh

14th October 2022

Statement of Comprehensive Income

For the year ended 31st July 2022

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments held at fair value through profit or (loss)	3	—	(85,781)	(85,781)	—	138,923	138,923
Net foreign currency losses		—	(2)	(2)	—	(3)	(3)
Income from investments	4	8,101	—	8,101	4,572	—	4,572
Interest receivable and similar income	4	50	—	50	3	—	3
Gross return/(loss)		**8,151**	**(85,783)**	**(77,632)**	**4,575**	**138,920**	**143,495**
Management fee	5	(748)	(1,744)	(2,492)	(635)	(1,481)	(2,116)
Other administrative expenses	6	(566)	—	(566)	(425)	—	(425)
Net return/(loss) before finance costs and taxation		**6,837**	**(87,527)**	**(80,690)**	**3,515**	**137,439**	**140,954**
Finance costs	7	(180)	(419)	(599)	(83)	(210)	(293)
Net return/(loss) before taxation		**6,657**	**(87,946)**	**(81,289)**	**3,432**	**137,229**	**140,661**
Taxation	8	(106)	—	(106)	(14)	—	(14)
Net return/(loss) after taxation		**6,551**	**(87,946)**	**(81,395)**	**3,418**	**137,229**	**140,647**
Return/(loss) per share	9	**8.39p**	**(112.68)p**	**(104.29)p**	**4.38p**	**175.82p**	**180.20p**

A final dividend of 6.9p per share (2021: 5.7p per share) is proposed in respect of the year ended 31st July 2022 amounting to £5,386,000 (2021: £4,449,000). Further information on dividends is given in note 10(a) on page 66.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. Net return/(loss) after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 61 to 75 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st July 2022

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves[1] £'000	Revenue reserve[1] £'000	Total £'000
At 31st July 2020	**3,981**	**25,895**	**2,903**	**170,965**	**6,193**	**209,937**
Net return	—	—	—	137,229	3,418	140,647
Dividends paid in the year (note 10)	—	—	—	—	(4,293)	(4,293)
At 31st July 2021	**3,981**	**25,895**	**2,903**	**308,194**	**5,318**	**346,291**
Net (loss)/return	—	—	—	(87,946)	6,551	(81,395)
Dividends paid in the year (note 10)	—	—	—	—	(4,449)	(4,449)
At 31st July 2022	**3,981**	**25,895**	**2,903**	**220,248**	**7,420**	**260,447**

[1] These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors.

The notes on pages 61 to 75 form an integral part of these financial statements.

Statement of Financial Position

At 31st July 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**275,604**	**377,140**
Current assets	12		
Debtors		1,476	2,291
Cash and cash equivalents		9,650	3,077
		11,126	5,368
Current liabilities	13		
Creditors: amounts falling due within one year		(1,283)	(36,217)
Net current liabilities		**9,843**	**(30,849)**
Total assets less current liabilities		**285,447**	**346,291**
Non Current liabilities			
Creditors: amounts falling due after one year	14	(25,000)	—
Net assets		**260,447**	**346,291**
Capital and reserves			
Called up share capital	15	3,981	3,981
Share premium	16	25,895	25,895
Capital redemption reserve	16	2,903	2,903
Capital reserves	16	220,248	308,194
Revenue reserve	16	7,420	5,318
Total shareholders' funds		**260,447**	**346,291**
Net asset value per ordinary share	17	**333.7p**	**443.7p**

The financial statements on pages 58 to 75 were approved and authorised for issue by the Directors on 14th October 2022 and signed on their behalf by:

Andrew Impey
Chairman

The notes on pages 61 to 75 form an integral part of these financial statements.

The Company is registered in England and Wales No. 2515996.

Statement of Cash Flows

For the year ended 31st July 2022

	Notes	2022 £'000	2021 £'000
Net cash outflow from operations before dividends and interest	18	(3,018)	(2,566)
Dividends received		7,419	4,414
Interest received		40	4
Overseas tax recovered		—	29
Interest paid		(604)	(291)
Net cash inflow from operating activities		**3,837**	**1,590**
Purchases of investments		(105,409)	(142,657)
Sales of investments		122,651	129,424
Settlement of foreign currency contracts		(4)	—
Net cash inflow/(outflow) from investing activities		**17,238**	**(13,233)**
Dividends paid		(4,449)	(4,293)
Litigation expense		(52)	(14)
Repayment of bank loans		(18,000)	—
Drawdown of bank loans		8,000	14,000
Net cash (outflow)/inflow from financing activities		**(14,501)**	**9,693**
Increase/(decrease) in cash and cash equivalents		**6,574**	**(1,950)**
Cash and cash equivalents at start of year		3,077	5,025
Exchange movements		(1)	2
Cash and cash equivalents at end of year		9,650	3,077
Increase/(decrease) in cash and cash equivalents		6,574	(1,950)
Cash and cash equivalents consist of:			
Cash and short-term deposits		294	250
Cash held in JPMorgan Sterling Liquidity Fund		9,356	2,827
Total		**9,650**	**3,077**

The notes on pages 61 to 75 form an integral part of these financial statements.

Reconciliation of net debt

	As at 31st July 2021 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st July 2022 £'000
Cash and cash equivalents				
Cash	250	45	(1)	294
Cash equivalents	2,827	6,529	—	9,356
	3,077	6,574	(1)	9,650
Borrowings				
Debt due after one year	(35,000)	10,000	—	(25,000)
	(35,000)	10,000	—	(25,000)
Total	**(31,923)**	**16,574**	**(1)**	**(15,350)**

Notes to the Financial Statements

For the year ended 31st July 2022

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in April 2021. In preparing these financial statements the Directors have considered the impact of climate change risk as a principal risk as set out on page 28, and have concluded that it does not have a material impact on the value of the Company's investments. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at 31st July 2022 and therefore reflect market participants' view of climate change risk.

The financial statements have been prepared on a going concern basis. In forming this opinion, the directors have considered the potential impact of the ongoing COVID-19 pandemic and other market strains on the going concern and viability of the Company, including the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience, particularly in light of COVID-19. The Directors have reviewed the compliance with loan covenants in assessing the going concern and viability of the Company and other market strains. The Directors have reviewed income and expense projections to 31st October 2023 and the liquidity of the investment portfolio in making their assessment.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end are accounted for in capital reserves within 'Investment holding gains and losses'.

The cost of repurchasing ordinary shares including stamp duty and transaction costs are included in the Statement of Changes in Equity and dealt with in capital reserves within 'Gains and losses on sales of investments'.

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up.

Notes to the Financial Statements

1. Accounting policies (continued)

(d) Income (continued)

Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance taken to revenue.

Interest receivable is taken to revenue on an accruals basis.

Interest from non-convertible fixed interest debt securities is recognised using the effective interest method which takes account of the amortisation of any discount or premium arising on the purchase price, compared to the final maturity value, over the remaining life of the security.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- The management fee is allocated 30% to revenue and 70% to capital, in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio; and
- Expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 67.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

Finance costs are allocated 30% to revenue and 70% to capital, in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Liquidity funds are considered cash equivalents as they are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and are held for cash management purposes as an alternative to cash.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans are classified as financial liabilities measured at amortised cost. They are initially measured at proceeds net of direct issue costs and subsequently measured at amortised cost using the effective interest rate method. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

(h) Taxation

Current tax is provided at the amounts expected to be paid or received.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

(i) Value added tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

Notes to the Financial Statements

(j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates.

The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the Statement of Comprehensive Income as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividends

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchase of Ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

(m) Repurchase of shares into Treasury

The cost of repurchasing shares into Treasury, including the related stamp duty and transaction costs is charged to capital reserves and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

(n) Share issue costs

The costs of issuing shares are charged against the share premium account.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the future periods, depending on circumstances.

The Directors do not believe that any accounting judgements have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities at the balance sheet date.

3. (Losses)/gains on investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Realised gains on sales of investments	646	46,235
Net change in unrealised (losses)/gains on investments	(86,418)	92,701
Other capital charges	(9)	(13)
Total capital (losses)/gains on investments held at fair value through profit or loss	**(85,781)**	**138,923**

Notes to the Financial Statements

4. Income

	2022 £'000	2021 £'000
Income from investments		
UK dividends	7,502	4,115
Overseas dividends	383	354
UK interest	—	1
Property income distribution	71	102
Scrip dividends	145	—
	8,101	**4,572**
Interest receivable and similar income		
Interest from liquidity fund	50	3
	50	3
Total income	**8,151**	**4,575**

5. Management fee

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	748	1,744	2,492	635	1,481	2,116

Details of the management fee are given in the Directors' Report on page 35.

6. Other administrative expenses

	2022 £'000	2021 £'000
Directors' fees[1]	126	126
Depositary fees[2]	52	42
Auditor's remuneration for audit services[3]	47	39
Printing and postage	8	14
Professional fees	70	26
AIC Subscription	19	12
Registrar fees	17	15
Marketing fees	42	12
Broker fees[4]	50	44
FCA and Stock Exchange fees[5]	29	25
Other expenses[6]	106	70
	566	**425**

[1] Full disclosure is given in the Directors' Remuneration Report on pages 45 to 47.
[2] Includes £9,000 (2021: £7,000) irrecoverable VAT.
[3] Includes £8,000 (2021: £7,000) irrecoverable VAT.
[4] Includes £8,000 (2021: £7,000) irrecoverable VAT.
[5] Includes £2,000 (2021: £3,000) irrecoverable VAT.
[6] Includes £29,000 (2021: £15,000) irrecoverable VAT.
All other administrative expenses are 100% charged to revenue

7. Finance costs

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Interest on bank loans and overdrafts	180	419	599	83	194	277
Loan arrangement fee	—	—	—	—	16	16
	180	**419**	**599**	**83**	**210**	**293**

8. Taxation

(a) Analysis of tax charge for the year

	2022 £'000	2021 £'000
Overseas withholding tax	106	14
Total tax charge for the year	**106**	**14**

(b) Factors affecting the total tax charge for the year

The tax charge for the year is lower (2021: lower) than the Company's applicable rate of corporation tax of 19% (2021: 19%) The factors affecting the total tax charge for the year are as follows:

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Net return/(loss) before taxation	6,657	(87,946)	(81,289)	3,432	137,229	140,661
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2021: 19%)	1,265	(16,710)	(15,445)	652	26,074	26,726
Effects of:						
Non taxable capital (losses)/gains	—	16,299	16,299	—	(26,395)	(26,395)
Non taxable UK dividends	(1,425)	—	(1,425)	(782)	—	(782)
Non taxable overseas dividends	(73)	—	(73)	(67)	—	(67)
Non taxable scrip dividends	(28)	—	(28)	—	—	—
Unrelieved expenses	261	411	672	197	321	518
Overseas withholding tax	106	—	106	14	—	14
Total tax charge for the year	**106**	**—**	**106**	**14**	**—**	**14**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £10,655,000 (2021: £9,768,000) based on a prospective corporation tax rate of 25% as enacted by the Finance Act 2021 (2021: 25%). The UK fiscal statement on 23rd September 2022 included a measure to cancel the scheduled April 2023 tax rate rise and keep the corporation tax rate at 19%. If this measure is substantively enacted, it would reduce the unrecognised deferred tax asset. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Due to the Company's status as an investment trust company and the intention to continue meeting the conditions required to maintain such status in the foreseeable future, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Financial Statements

9. Return/(loss) per share

	2022 £'000	2021 £'000
Revenue return	6,551	3,418
Capital (loss)/return	(87,946)	137,229
Total (loss)/return	**(81,395)**	**140,647**
Weighted average number of shares in issue during the year	78,051,669	78,051,669
Revenue return per share	8.39p	4.38p
Capital (loss)/return per share	(112.68)p	175.82p
Total (loss)/return per share	**(104.29)p**	**180.20p**

10. Dividends

(a) Dividends paid and proposed

	2022 £'000	2021 £'000
Dividend paid		
2021 final dividend of 5.7p (2020: 5.5p) per share	4,449	4,293
Dividend proposed		
2022 final dividend proposed of 6.9p (2021: 5.7p) per share	5,386	4,449

All dividends paid and proposed in the period have been and will be funded from the revenue reserve.

The dividend proposed in respect of the year ended 31st July 2022 is subject to shareholder approval at the forthcoming AGM. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st July 2023.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £6,551,000 (2021: £3,418,000). The revenue reserve after payment of the final dividend will amount to £2,034,000 (2021: £869,000).

	2022 £'000	2021 £'000
2022 final dividend of 6.9p (2021: 5.7p) per share	5,386	4,449

11. Investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Investments listed on a recognised stock exchange	275,604	377,140
Opening book cost	230,627	174,242
Opening investment holding gains	146,513	53,812
Opening valuation	377,140	228,054
Movements in the year:		
Purchases at cost	105,649	141,223
Sales proceeds	(121,413)	(131,073)
(Losses)/gains on investments held at fair value through profit or loss	(85,772)	138,936
	275,604	377,140
Closing book cost	215,509	230,627
Closing investment holding gains	60,095	146,513
Total investments held at fair value through profit or loss	**275,604**	**377,140**

Transaction costs on purchases during the year amounted to £375,000 (2021: £476,000) and on sales during the year amounted to £94,000 (2021: £92,000). These costs comprise mainly brokerage commission.

The company received £121,413,000 (2021: £131,073,000) from investments sold in the year. The book cost of these investments when they were purchased was £120,767,000 (2021: £84,838,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12. Current assets

	2022 £'000	2021 £'000
Debtors		
Securities sold awaiting settlement	738	1,993
Dividends and interest receivable	726	285
Other debtors	12	13
	1,476	**2,291**

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term deposits and liquidity funds. The carrying amount of these represents their fair value.

13. Current liabilities

	2022 £'000	2021 £'000
Creditors: amounts falling due within one year		
Bank loan	—	35,000
Securities purchased awaiting settlement	1,152	1,057
Loan interest payable	18	23
Litigation expense accrual	—	52
Other creditors	113	85
	1,283	**36,217**

Notes to the Financial Statements

13. Current liabilities (continued)

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

The Company renewed and increased the borrowing facility with Scotiabank on 1st October 2021 for two years (maturing on 1st October 2023) at an increased amount of £50.0 million (with a £10.0 million accordion facility) and a margin of 1.14% per annum for Sterling compounded rate loans. At 31st July 2022, the Company had £25.0 million drawn down on the facility at an interest rate of SONIA + 1.14%.

The Company was one of numerous defendants in a litigation brought by the liquidating trustee of Orion HealthCorp, Inc. and related debtors (the 'Plaintiff') arising from a merger in early 2017 involving Constellation Healthcare Technologies ('CHT'). The Company was a shareholder of CHT at the time of the merger and received monies as a result of the merger. Although there are no allegations of wrongdoing made against the Company, the Plaintiff sought to recover the monies distributed to the Company (and other CHT shareholders) as a result of the merger. Following the approval of the United States Bankruptcy Court for the Eastern District of New York, the Company and the Plaintiff entered into a Settlement Agreement and settled all claims asserted against the Company by the Plaintiff.

The legal costs incurred by the Company in connection with the litigation amount to £77,000. During the year £63,000 (2021: £14,000) was paid and there was no outstanding balance at the year end (2021: £52,000). The difference of £11,000 between the payments made in the year and the figure stated in the cash flow statement is due to foreign currency exposure.

14. Non current liabilities

Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank Loan (see above)	25,000	—
	25,000	**—**

15. Called up share capital

	2022 £'000	2021 £'000
Ordinary shares allotted and fully paid:		
Opening balance of 78,051,669 (2021: 78,051,669) shares of 5p each	3,903	3,903
Subtotal of 78,051,669 (2021: 78,051,669) shares excluding shares of 5p each held in Treasury	3,903	3,903
1,559,741 (2021: 1,559,741) shares of 5p each held in Treasury	78	78
Closing balance of 79,611,410 (2021: 79,611,410) shares including shares of 5p each held in Treasury	**3,981**	**3,981**

Further details of transactions in the Company's shares are given in the Strategic Report on page 24.

Notes to the Financial Statements

16. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments[1] £'000	Capital reserves: Investment holding gains and losses[1] £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	3,981	25,895	2,903	161,681	146,513	5,318	346,291
Net foreign currency losses on cash and cash equivalents	—	—	—	(2)	—	—	(2)
Realised gains on sale of investments	—	—	—	646	—	—	646
Net change in unrealised gains and losses on investments	—	—	—	—	(86,418)	—	(86,418)
Management fee and finance costs charged to capital	—	—	—	(2,163)	—	—	(2,163)
Other capital charges	—	—	—	(9)	—	—	(9)
Retained revenue for the year	—	—	—	—	—	6,551	6,551
Dividend paid in the year	—	—	—	—	—	(4,449)	(4,449)
Closing balance	**3,981**	**25,895**	**2,903**	**160,153**	**60,095**	**7,420**	**260,447**

[1] These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors.

17. Net asset value per share

	2022	2021
Net assets (£'000)	260,447	346,291
Number of shares in issue	78,051,669	78,051,669
Net asset value per ordinary share	**333.7p**	**443.7p**

18. Reconciliation of net (loss)/return before finance costs and taxation to net cash outflow from operations before dividends and interest

	2022 £'000	2021 £'000
Net (loss)/return before finance costs and taxation	(80,690)	140,954
Add capital loss/(less capital return) before finance costs and taxation	87,527	(137,439)
Scrip dividends received as income	(145)	—
Decrease in accrued income and other debtors	(440)	(116)
Increase/(decrease) in accrued expenses	36	(18)
Management fee charged to capital	(1,744)	(1,481)
Tax on unfranked investment income	(106)	(43)
Dividends received	(7,419)	(4,414)
Interest received	(40)	(4)
Realised gain/(loss) on foreign exchange transactions	3	(5)
Net cash outflow from operations before dividends and interest	**(3,018)**	**(2,566)**

Notes to the Financial Statements

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2021: nil).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 35. The management fee payable to the Manager for the year was £2,492,000 (2021: £2,116,000) of which £nil (2021: £nil) was outstanding at the year end.

During the year £nil, including VAT, was payable to (2021: £nil) the Manager for the administration of savings scheme products, of which £nil (2021: £nil) was outstanding at the year end

Included in administration expenses in note 6 on page 64 are safe custody fees amounting to £6,000 (2021: £4,000) payable to JPMorgan Chase of which £1,000 (2021: £3,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2021: £2,000) of which £nil (2021: £nil) was outstanding at the year end.

The Company also holds cash in the JPMorgan Sterling Liquidity Fund, which is managed by JPMorgan. At the year end this was valued at £9.4 million (2021: £2.8 million). Interest amounting to £50,000 (2021: £3,000) was receivable during the year of which £nil (2021: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £9,000 (2021: £13,000) were payable to JPMorgan Chase during the year of which £2,000 (2021: £10,000) was outstanding at the year end.

At the year end, total cash of £294,000 (2021: £250,000) was held with JPMorgan Chase. A net amount of interest of £nil (2021: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2021: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 46 and in note 6 on page 64.

21. Disclosures regarding financial instruments measured at fair value

The fair value hierarchy disclosures required by FRS 102 are given below.

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

The investments are categorised into a hierarchy consisting of the following three levels:

(1) **The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date**

(2) **Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly**

(3) **Inputs are unobservable (ie: for which market data is unavailable) for the asset or liability**

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 61.

All of the Company's investments are categorised as Level 1 (2021: same).

22. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The Company's exposure to foreign currency risk is insignificant and therefore not quantified below. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

Notes to the Financial Statements

The Company's financial instruments are as follows:

- investments in equity and preference shares of UK companies, which are held in accordance with the Company's investment objective;
- cash held within a liquidity fund;
- short-term debtors, creditors and cash arising directly from its operations; and
- loan facilities, the purpose of which are to finance the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits, the liquidity fund and the interest payable on variable rate borrowings when interest rates are reset.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the floating rate loan facility. However, amounts drawn down on this facility are for short-term periods and therefore there is limited exposure to interest rate risk.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2022 £'000	2021 £'000
Exposure to floating interest rates		
JPMorgan Sterling Liquidity Fund	9,356	2,827
Cash and short-term deposits	294	250
Bank loan	(25,000)	(35,000)
Total exposure	**(15,350)**	**(31,923)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above SONIA respectively (2021: same). The target interest earned on the JPMorgan Sterling Liquidity Fund is the 7 day Sterling London Interbank Bid Rate.

Details of the bank loan are given in note 13 on page 68.

Notes to the Financial Statements

22. Financial instruments' exposure to risk and risk management policies (continued)

(a) Market risk (continued)

(i) Interest rate risk

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2021: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2022		2021	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	22	(22)	(74)	74
Capital return	(175)	175	(245)	245
Total return after taxation for the year	(153)	153	(319)	319
Net assets	**(153)**	**153**	**(319)**	**319**

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances, cash held in the liquidity fund and amounts drawn down on the Company's loan facility.

(ii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or foreign currency risk, which may affect the value of equity investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's total exposure to changes in market prices at 31st July comprises its holdings in equity investments as follows:

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	275,604	377,140

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 20 and 21. This shows that all of the investments' value is in the UK. Accordingly there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2021:10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2022		2021	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(54)	54	(74)	74
Capital return	27,435	(27,435)	37,542	(37,542)
Total return after taxation for the year	27,381	(27,381)	37,468	(37,468)
Net assets	**27,381**	**(27,381)**	**37,468**	**(37,468)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term liabilities and working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	2022			
	Three months or less £'000	More than three months but no more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	1,152	—	—	1,152
Other creditors	113	—	—	113
Litigation expense accrual	—	—	—	—
Creditors: amounts falling due after more than one year				
Bank loan including interest	77	180	25,041	25,298
	1,342	**180**	**25,041**	**26,563**

Notes to the Financial Statements

22. Financial instruments' exposure to risk and risk management policies (continued)

(b) Liquidity risk (continued)

Liquidity risk exposure (continued)

	2021			
	Three months or less £'000	More than three months but no more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	1,057	—	—	1,057
Other creditors	85	—	—	85
Bank loan including interest	35,067	—	—	35,067
Litigation expense accrual	52	—	—	52
	36,261	**—**	**—**	**36,261**

The liabilities shown above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group. The Board regularly reviews the counterparties used by the Manager.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase Bank, N.A. were to cease trading. The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value.

23. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2022 £'000	2021 £'000
Debt:		
Bank loan	25,000	35,000
Equity:		
Called up share capital	3,981	3,981
Reserves	256,466	342,310
Total debt and equity	**285,447**	**381,291**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range of 10% net cash to 15% geared.

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	275,604	377,140
Net assets	260,447	346,291
Gearing	**5.8%**	**8.9%**

The Company does not have any external capital requirements.

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares for cancellation, which takes into account the share price discount or premium; and
- the opportunity for issues of new shares.

24. Subsequent events

The Directors have evaluated the period since the year end and have not noted any subsequent events deemed necessary to report.

Regulatory Disclosures

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (unaudited)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive ('AIFMD'), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method in accordance with AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company's maximum and actual leverage levels at 31st July 2022 are shown below:

	Gross Method	Commitment Method
Leverage Exposure		
Maximum limit	175%	175%
Actual	109%	110%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan UK Smaller Companies Investment Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period (the '**Performance Year**') as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the '**Remuneration Policy Statement**') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages (the '**AIFMD Identified Staff**'). The AIFMD Identified Staff include members of the Board of the Management Company (the '**Board**'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2021 Performance Year in June 2021 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2021 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 42 sub-funds) as at 31st December 2021, with a combined AUM as at that date of £23.4 billion and £24.8 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (US$'000s)	23,244	16,065	39,309	153

The aggregate 2021 total remuneration paid to AIFMD Identified Staff was USD $84,714,000, of which USD $6,570,000 relates to Senior Management and USD $78,144,000 relates to other Identified Staff.[1]

[1] Since 2017, the AIFMD identified staff disclosures includes employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

Securities Financing Transactions Regulation ('SFTR') Disclosure (Unaudited)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-selling back transactions or sell-buy back transactions and margin lending transactions) or Total Return Swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st July 2022.

Notice of Annual General Meeting

Notice is hereby given that the thirty-second Annual General Meeting of JPMorgan UK Smaller Companies Investment Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP at 3.00 p.m. on Monday, 5th December 2022 for the following purposes.

1. To receive the Directors' Report, the Annual Financial Statements and the Independent Auditor's Report for the year ended 31st July 2022.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st July 2022.
4. To approve a final dividend of 6.9p per Ordinary share.
5. To appoint Katrina Hart a Director of the Company.
6. To reappoint Gordon Humphries a Director of the Company.
7. To reappoint Andrew Impey a Director of the Company.
8. To reappoint Alice Ryder a Director of the Company.
9. To reappoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

10. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors) pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £390,258, representing approximately 10% of the Company's issued share capital (excluding Treasury shares) as at the date of this notice provided that this authority shall expire at the conclusion of the AGM of the Company to be held in 2023 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new shares – Special Resolution

11. THAT subject to the passing of Resolution 10 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573, of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560 of the Act) pursuant to the authority conferred by Resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment or sale of equity securities for cash up to an aggregate nominal amount of £390,258, representing approximately 10% of the issued share capital as at the date of this notice at a price of not less than the net asset value per share and shall expire, upon the expiry of the general authority conferred by Resolution 10 above, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

12. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued shares on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT

    (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 11,699,945, or if less, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for an Ordinary share shall be 5 pence;

    (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

    (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

    (v) the authority hereby conferred shall expire on 4th June 2024 unless the authority is renewed at the Company's AGM in 2023 or at any other general meeting prior to such time; and

Notice of Annual General Meeting

(vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract.

By order of the Board
Lucy Dina, for and on behalf of JPMorgan Funds Limited, Secretary

14th October 2022

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.
2. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. However, please note that, in the light of the ongoing COVID-19 pandemic and associated Government guidance, it may be the case that your vote will not be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. However, please note that in the current circumstances, your vote may not be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 3.00 p.m. two business days prior to the meeting (ie. excluding weekends and bank holidays).
5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to

determine which was last received, none of them shall be treated as valid in respect of that share.

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

7. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

8. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006 (as amended by the Shareholder Rights Directive 2009, each such representative(s) may exercise the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. However, please note that, in the light of the COVID-19 pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings, it is unlikely that your vote will be counted where a representative other than the Chairman of the Meeting is appointed as additional third parties are unlikely to be permitted entry to the meeting.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

9. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an auditor of the company ceasing to hold office since the previous AGM; which the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

10. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

11. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

12. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Notice of Annual General Meeting

13. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmuksmallercompanies.co.uk
14. The register of interests of the Directors and connected persons in the share capital of the Company is available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the AGM. No Director has any contract of service with the Company.
15. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
16. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
17. As at 13th October 2022 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 78,051,669 Ordinary shares of 5 pence each, carrying one vote each. Therefore the total voting rights in the Company are 78,051,669.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Glossary of Terms and Alternative Performance Measures ('APMS') (Unaudited)

Return to Shareholders (APM)

Total return to shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 31st July 2022	Year ended 31st July 2021	
Opening share price (p)	6	408.0	232.0	(a)
Closing share price (p)	6	297.0	408.0	(b)
Total dividend adjustment factor[1]		1.014729	1.020221	(c)
Adjusted closing share price (d = b x c)		301.4	416.3	(d)
Total return to shareholders (e = d / a – 1)		**–26.1%**	**79.4%**	(e)

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 31st July 2022	Year ended 31st July 2021	
Opening cum-income NAV per share with debt at par value (p)	6	443.7	269.0	(a)
Closing cum-income NAV per share debt at par value (p)	6	333.7	443.7	(b)
Total dividend adjustment factor[1]		1.013062	1.018875	(c)
Adjusted closing cum-income NAV per share (d = b x c)		338.1	452.1	(d)
Total return on net assets with debt at par value (e = d / a – 1)		**–23.8%**	**68.1%**	(e)

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Benchmark total return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Share Price Discount / Premium to Net Asset Value ('NAV') per Ordinary Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 17).

Gearing/Net Cash (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Glossary of terms and alternative performance measures ('APMS') (Unaudited)

Gearing calculation	Page	Year ended 31st July 2022 £'000	Year ended 31st July 2021 £'000	
Investments held at fair value through profit or loss	59	275,604	377,140	(a)
Net assets	59	260,447	346,291	(b)
Gearing/(Net cash) (c = a / b – 1)		**5.8%**	**8.9%**	(c)

Ongoing Charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	Year ended 31st July 2022	Year ended 31st July 2021	
Management Fee	58	2,492	2,116	
Other administrative expenses	58	566	425	
Total management fee and other administrative expenses		3,058	2,541	(a)
Average daily cum-income net assets		308,509	278,319	(c)
Ongoing Charges (c = a / b)		**0.99%**	**0.91%**	(d)

Performance attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Stock/Sector selection

Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/(net cash)

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management fee/Other expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Repurchase of shares

Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation, or repurchases into Treasury, at a price which is less than the Company's net asset value per share

Where to Buy J.P. Morgan Investment Trusts

You can invest in a J.P. Morgan investment trust through the following:

1. Via a third party provider

Third party providers include:

AJ Bell You Invest
Barclays Smart Investor
Charles Stanley Direct
Fidelity Personal Investing
Halifax Share Dealing
Hargreaves Lansdown
Interactive Investor

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

FCA FINANCIAL CONDUCT AUTHORITY

Information About the Company

FINANCIAL CALENDAR

Financial year end	**31st July**
Final results announced	**October**
Half year end	**31st January**
Half year results announced	**March**
Dividend on ordinary shares paid	**December**
Annual General Meeting	**November/December**

History

The Company was formed in June 1990 as River & Mercantile Smaller Companies Trust plc and raised £25 million by a public offer of shares. Its original policy was to invest in a diversified portfolio of investments in UK and foreign smaller companies. Its name was changed to The Fleming Smaller Companies Investment Trust plc in April 1996, and again in November 2002 to JPMorgan Fleming Smaller Companies Investment Trust plc and JPMorgan Smaller Companies Investment Trust plc in 2006. The Company adopted its present name in September 2021.

Directors

Andrew Impey (Chairman of the Board, Nomination Committee and Management Engagement Committee)
Frances Davies (Chairman of the Remuneration Committee and Senior Independent Director)
Gordon Humphries (Chairman of the Audit Committee)
Katrina Hart
Alice Ryder

Company Numbers

Company registration number: 2515996
LEI: 549300PXALXKUMU9JM18
London Stock Exchange SEDOL: 0741600
Bloomberg code: JMI LN
ISIN: GB00BF7L8P11

Market Information

The Company's unaudited net asset value ('NAV') is published daily, via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times and on the JPMorgan website at www.jpmuksmallercompanies.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmuksmallercompanies.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone number: 020 7742 4000

For Company Secretarial and administrative matters please contact Lucy Dina at the above address.

Depositary

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 1139
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2341

Lines open 9.00 a.m. to 5.00 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1139. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Ernst & Young LLP
Statutory Auditor
Atria One
144, Morrison Street
Edinburgh EH3 8EX

Brokers

Panmure Gordon
One New Change
London
EC4M 9AF

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A member of the AIC

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